

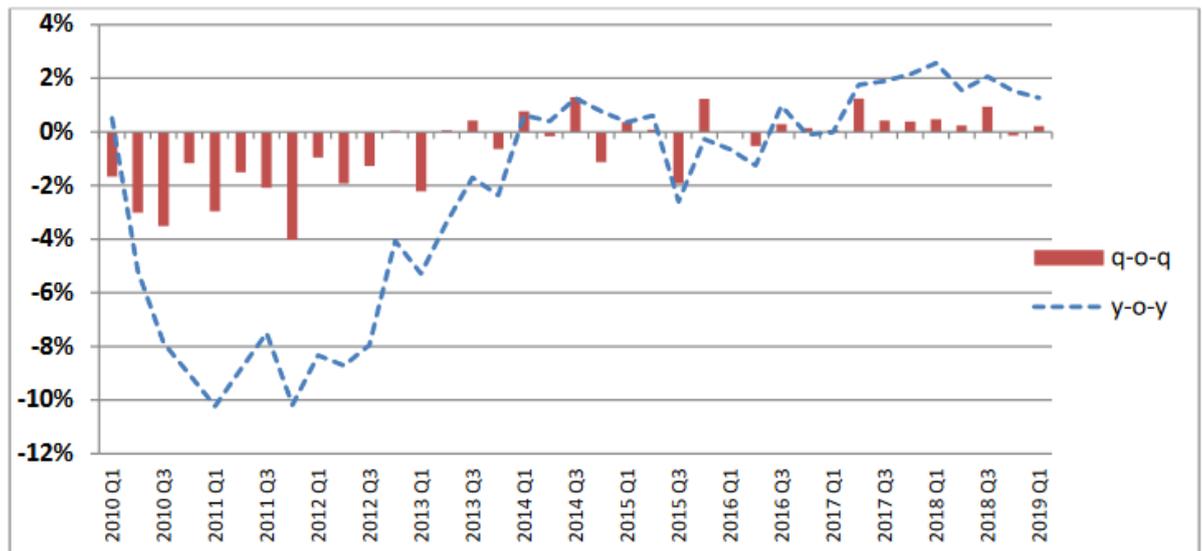
PROPERTY MARKET
ATHENS
1st semester 2019



Economic Overview & Indices

The data from the Greek Statistical Authority (ELSTAT) indicate that in the 1st quarter of 2019 the Gross Domestic Product (GDP) increased by 0.2% in comparison with the 4th quarter of 2018, while in comparison with the 1st quarter of 2018, it increased by 1.3.

GROSS DOMESTIC PRODUCT 2010-2019 (Q1 2019)



Source: ELSTAT/ Seasonal and calendar correction items (Reference Year: 2010). Modifications quarterly and yearly

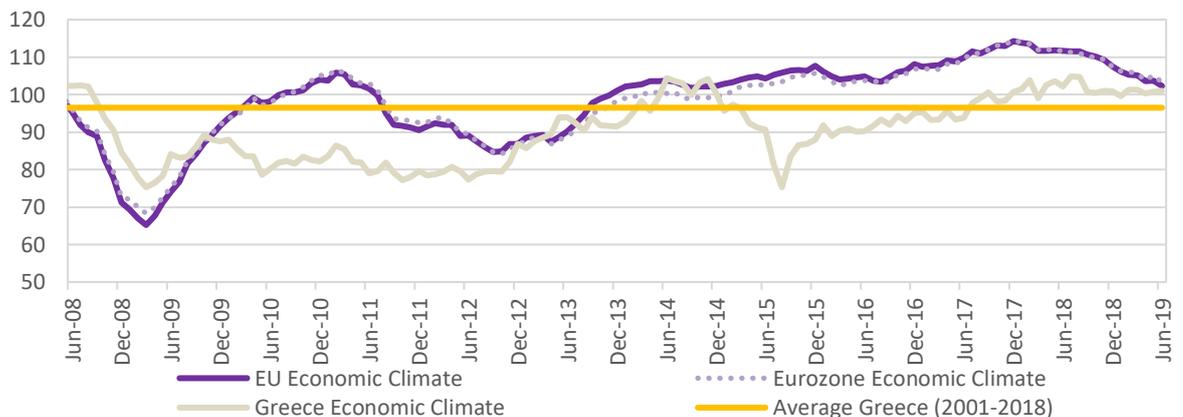
According to the IOBE quarterly report (April 2019) on the Greek Economy, the economic climate index in the first quarter of 2019 did not change compared to the previous one. Thus, the Greek economy as a whole seems to be in a recent period of waiting. The stability at the beginning of 2019 is considered to be a highly counterproductive approach to current developments. On the one hand households' expectations improved markedly for the second consecutive quarter, most likely due to changes in the fiscal measures for 2019, notably the non-cuts in pensions, but also as they tend to improve over time in pre-election periods. On the business side, elections usually act as a barrier to decision-making, as they greatly weigh on the possibility that changes in economic policy will emerge from a new government that they expect to make their decisions.

More broadly, there is no significant momentum in some segments of economic activity, in previous years in tourism and exports. After all, the international environment worsened in the second half, under the effects of the announced completion of the expansion of the quantitative easing program by the ECB and the impact of trade protection measures on international trade. Especially enterprises are currently assessing recent changes in the labor market by raising the minimum wage and abolishing the lower. Therefore, developments in the elections, initially the results of the European elections, and the developments in the Eurozone economy will shape the upward trend in expectations.

The Economic Climate Index in Greece in the quarter January-March 2019 moved marginally lower than in the fourth quarter of 2018, standing at an average of 100.7 points, down from 100.8 points in the previous quarter, lower than the average last year (101.4 units).

In Europe, the corresponding average index was lower in the quarter under review compared to the previous quarter, both in the EU and in the Eurozone. In particular, the European Economic Climate Index stood at 105.5 (out of 109) units in the first quarter of this year in the EU and 106 (from 108.9) in the Eurozone.

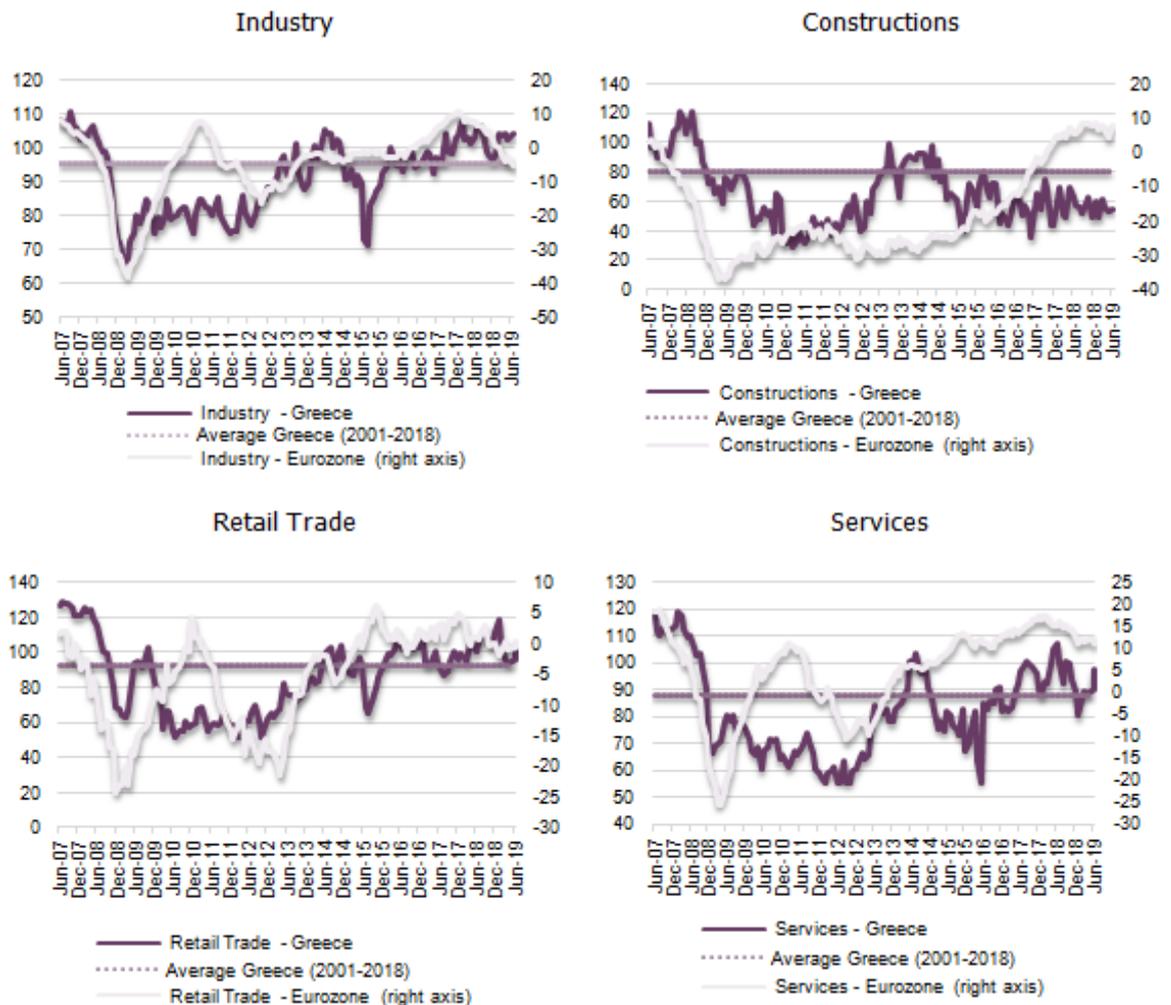
ECONOMIC INDICATOR CLIMATE: EU-27, EUROZONE & GREECE



Source: IOBE, European Commission, DG ECFIN/1990-2017 = 100 seasonally adjusted figures

At sector level, business expectations in Greece worsened in the first quarter of 2019 compared to the previous one in Services and Retail Trade, they were stable in Construction and experienced little improvement in Industry. On the consumer side, there was a slight improvement in the consumer confidence index. Compared to the same quarter last year, average indices increased in Retail Trade and declined in Services, Industry and Construction. Clearly superior was Performance in Consumer Confidence.

BUSINESS EXPECTATIONS INDICATOR



Source: IOBE

Based on the European Commission's May 2019 forecast, economic growth in Greece was boosted in 2018, mainly due to the rise in exports, and is expected to increase over the forecast horizon, despite the worsening external environment, with a steady improvement in domestic demand. The state budget balance surplus in 2018 for the third consecutive year and Greece is expected to meet its agreed fiscal targets in 2019 and 2020. However, public debt should begin to decline and fiscal risks to be monitored.

EUROPEAN COMMISSION FORECASTS				
ECONOMIC INDICATORS	2017	2018	2019	2020
GDP (%)	1,5	1,9	2,2	2,2
Inflation (%) Inflation	1,1	0,8	0,8	0,8
Unemployment (%)	21,5	19,3	18,2	16,8
Government Financial Balance (%)	0,7	1,1	0,5	-0,1
Gross Government Debt (% GDP)	176,2	181,1	174,9	168,9

Source: ec.europa.eu

PROPERTY MARKET DEVELOPMENTS AND PERSPECTIVES

The prices in the housing market the first half of 2019 slightly increased compared to the prices of the previous half. Indicatively, in the first half of 2019, apartments prices increased slightly by 0.4% compared to the last half of 2018.

Regarding the commercial real estate market there is a growing demand from users for offices, retail and logistics. Rental prices for prime real estate are increasing steadily and yields are continuing to squeeze.

As for the Grade A and B offices sector, there is a shortage of available space to meet the existing demand of companies. Demand is driven by high quality, while development activity is limited and the existing reserve is significantly impaired.

According to DANOS data available, office rentals in Athens increased in the first half of 2019 by 2.5% compared to the previous year. Overall, the office sector is expected to remain in the investment landscape this year, too. As a result of increased competitiveness and lack of quality product, yields are expected to be more depressed, while rental prices for prime locations are expected to rise.

As for retail units, rental prices in the first half of 2019 decreased by -0.2% compared to the previous year. However, in the high street locations, rental prices have shown an increase.



Office Market

Regarding the Office Market sector, the interest both of the users and the institutional investment firms continued in the 1st semester of 2019 to be positive for quality office spaces. Low investment activity of the past decade slowed down construction activity thus the building stock for Grade A office space remains low.

Increased demand for office space and lack of supply leads to the increase of the rental values and sale values in the office market overall (Grade A and Grade B office space).

The areas of interest are still the Athens CBD (Syntagma square, Kolonaki), the Kifissias Ave. and the Sygrou Ave. and secondary the Mesogeion Ave. and the Vouliagmenis Ave.

Athens Office Market			
Athens Centre (C)	West Suburbs (w)	North Suburbs (N)	South Suburbs (S)
City Centre	National Rd	Kifisias Av.	Sygrou Av.
Ampelokipi	Petrou Rali	Mesogeion Av.	Amfitheas Av
Stadiou	Iera Odos	National Rd	Vouliagmenis Av.
Panepistimiou		Attiki Odos	Poseidonos Av.
Vas. Sofias			Piraeus Port
Piraeus Av.			

Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

Furthermore, institutional and other investors (REICs, Private Equity Funds and Family Offices) hold a strong interest for the acquisition of office space available in the market either directly from private owners or through the usual acquisitional procedures (cooperation with consultants/ brokers, public/private tenders).

Given the above, the demand for quality office spaces is expected to continue throughout 2019, under the same trends and conditions of demand-supply of the current market dynamics.

It is worth to mention that priority is given by both tenants and investors to the quality of the office spaces offered.

STRONG DEMAND FOR MODERN OFFICES IS ENCOUNTERING CONSTRAINTS

The office market in Athens is benefitting from improvements in the Greek economy and attracting more interest from local and foreign tenants. The Greek Depression resulted in a considerable contraction in size and activity of the market so much, so that only few developments were completed. There is now little supply of high-quality buildings in the prime office areas and this has led to a shortage of Grade A and B offices. As a consequence, prime rental values have been increasing over the last 2 years in the most sought-after areas, such as in the CBD and in the areas of Kifissias and Syggrou Avenues. On the other hand, the stock of Grade C and D office remains high while the demand for such premises is almost non-existent.

The Athens City Centre is expected to achieve higher rents in 2019, as rental values are expected to increase together within the wider growth of the economy. Athens is no exception to the Co-Working and flexible workspace boom in Europe as more than 20 buildings were converted into Co-Working spaces in the Greek capital city. In the greater Athens area the total Grade A and B office stock is €2 million m² mostly concentrated north and in the wider CBD area.



RENTAL VALUES

Rental values and yields for Grade A office building in Athens, form year 2018 continued to present an increasing trend in the 1st semester of 2019, which is expected to continue throughout the year.

	Grade A			Grade B			Grade C		
	Rent	Yield	Vacancy Rate	Rent	Yield	Vacancy Rate	Rent	Yield	Vacancy Rate
Athens Center (C)	20	6.00%	6%	13	7.50%	24%	8	8.50%	n/a
Athens West (W)	11	8.50%	n/a	8	9.00%	n/a	5	10,00%	n/a
Athens North (N)	18	7.00%	8%	10	7.50%	20%	7	8.50%	n/a
Athens South (S)	14	7.50%	12%	11	8.00%	25%	6	9,00%	n/a
Piraeus	13	8.00%	10%	10	8.25%	30%	7	8,50%	n/a

Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

REVITALISED INVESTMENT MARKET LEADS TO A DECREASE IN YIELDS

The improvement of the economy boosted the interest of institutional investors.

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, 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%.

OFFICE SPACES AQUISITIONS DURING 1ST SEMESTER

The following transactions are denoting investors willingness towards the acquisition of office spaces in Athens.

TRANSACTIONS IN ATHENS 2019

Date	Buyer	Price (€ m)	surface (*1000) sq.m	Address
1/4/2019	Hines	9	2,5	Vas Sofias , Center of Athens
8/3/2019	TRASTOR REIC	27,8	21,64	4 Buildings , Marousi, Kifisia, Elliniko, Argyroupoli,Center of Athens
1/3/2019	Brook Lane Capital	95		4 Buildings of Babis Vovos
27/2/2019	TRASTOR REIC	12	6	4, Gravias Str. & Granikou Str.
5/2/2019	TRASTOR REIC	0,68	0,21	Syntagma , Center of Athens
4/2/2019	ORILINA REIC	25	30,67	National Road Athinon Lamias

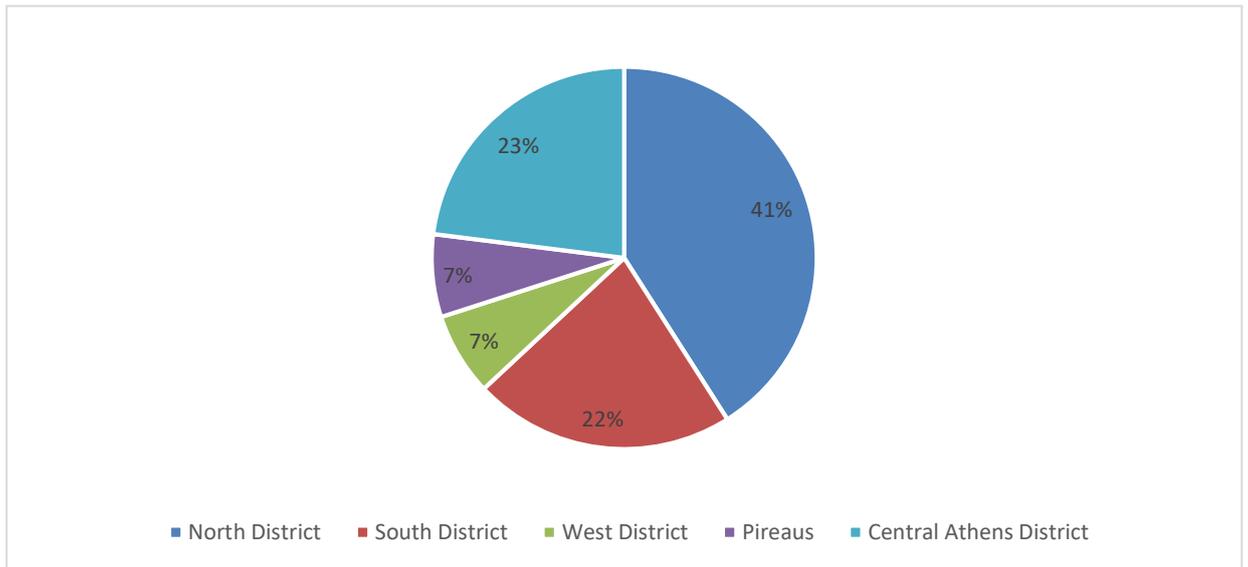
Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

MARKET TRENDS

	Rents	Yields	Demand	Supply
Grade A				
Grade B				

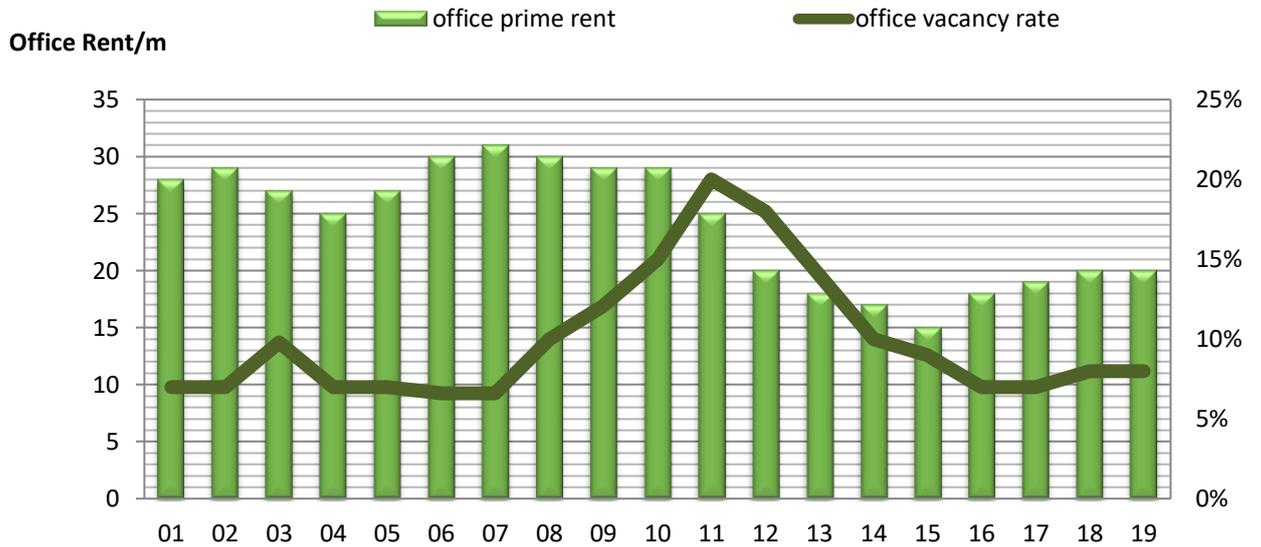
Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

OFFICE STOCK ALLOCATION PER AREA (GRADE A+GRADE B)



Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

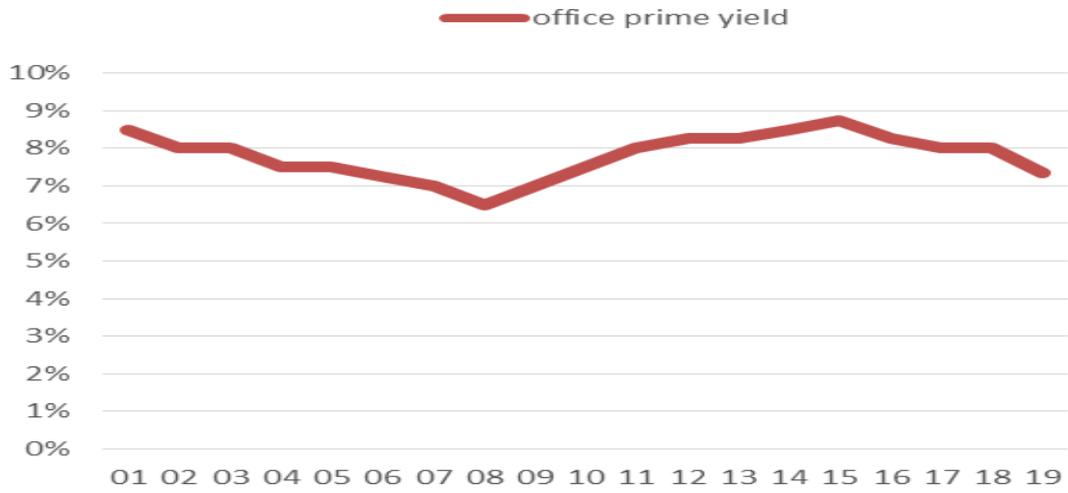
OFFICE PRIME RENT & OFFICE VACANCY RATE / YEAR



Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

OFFICE PRIME YIELD /YEAR

€ million



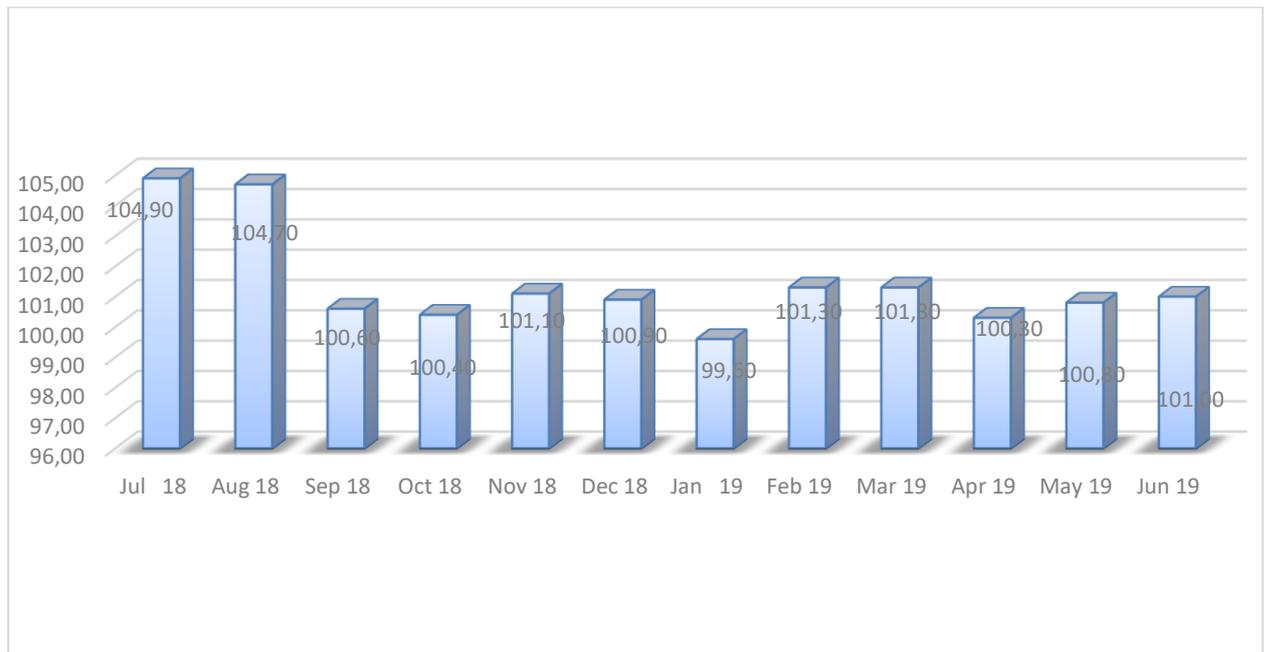
Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE



Retail Market

The Economic Sentiment Indicator was 101.00 NA in June 2019. This records an increase from the previous number of 100.80 NA for May 2019 and decline compared to the data of the last year July 2018 (104.90). The data reached an all-time high of 120.50 NA in July 2000 and a record low of 75.30 NA in August 2015.

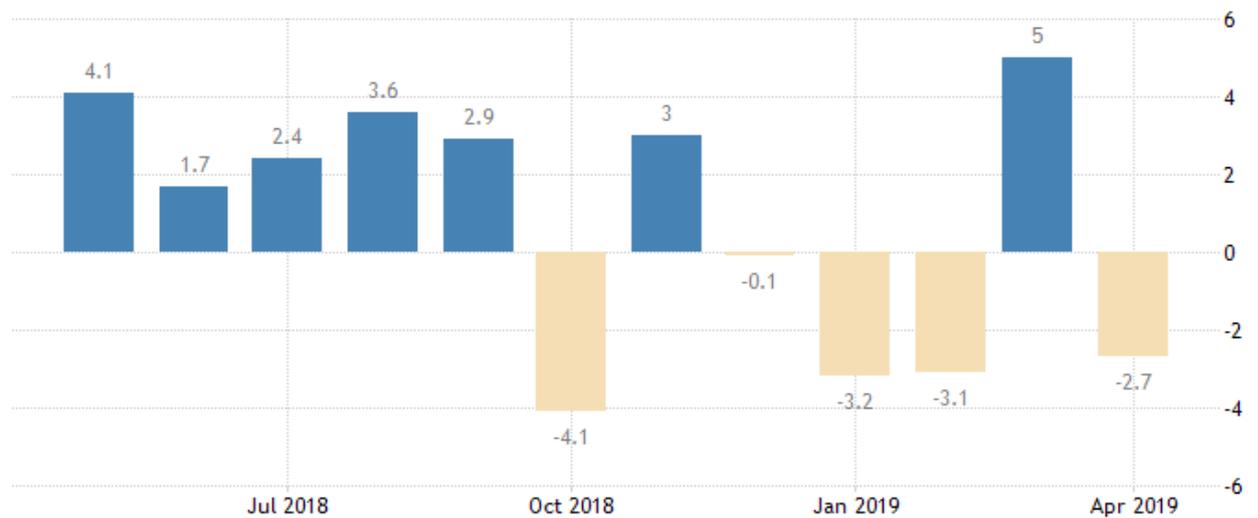
ECONOMIC SENTIMENT INDEX



Source: European Commission, DG ECFIN, IOBE



Greece's retail trade slumped 2.7 percent from a year earlier in April 2019, following an upwardly revised 5.0 percent jump in the previous month, led lower by department stores (-18.2 percent vs -10.5 percent), food and beverages (-7.1 percent vs 1.9 percent), pharmaceuticals and cosmetics (-6.8 percent vs -1.7 percent). Retail Sales YoY in Greece averaged -0.63 percent from 2001 until 2019, reaching an all-time high of 13.60 percent in December of 2006 and a record low of -19.40 percent in December of 2010.



Source: TRANDINGECONOMICS.COM | NATIONAL STATISTICAL SERVICE OF GREECE



New stores opened in 2019, and retail companies expanded their network. Some examples:

JYSK expanded to Tripoli, Piraeus, Korinthos and Chania, MASOUTIS (Greek Super Market chain) expanded to Kolonaki and Thessaloniki, METRO Cash & Carry opened a new store in Zakynthos, AB VASSILOPOULOS (DELHAIZE company) opened a new store in Patra, Mc DONALD'S expanded to Mesogeion Ave. (Athens) and Larisa, GUESS opened a new store in Mykonos island and WOMAN SECRET opened a new store in Chania.

As far as the monthly rents / m² are concerned, in Ermou, they still reach 270 € / sqm, which making it the most expensive high street in Greece and in terms of the ranking of the world's most - expensive retail streets, in 15th place, while before the financial crisis it was in the top ten.

Five new shopping malls and two retail centers expansions are announced, totaling approx.. 340,000 new square meters in the greater Athens area.

1. **GAIOSE**: A shopping center with a total GLA of 40,000 square meters and a budget of 70 million €, at the OSE station in Piraeus.
2. **LYKOVRYSI**: A new commercial investment worth € 93.4 million in Lykovrisi, of the Konstantinou Group, with a total GLA of 40,000 sqm.
3. **ACADEMIA PLATONOS**: HINES, the new owner of the property of the former Mouzaki Textile, at the area Academia Platonos, will develop a retail park with big boxes.
4. **KAMBA ESTATE – SPATA**: A new shopping mall will be developed by REDS, at the area Spata in the Kamba Estate.

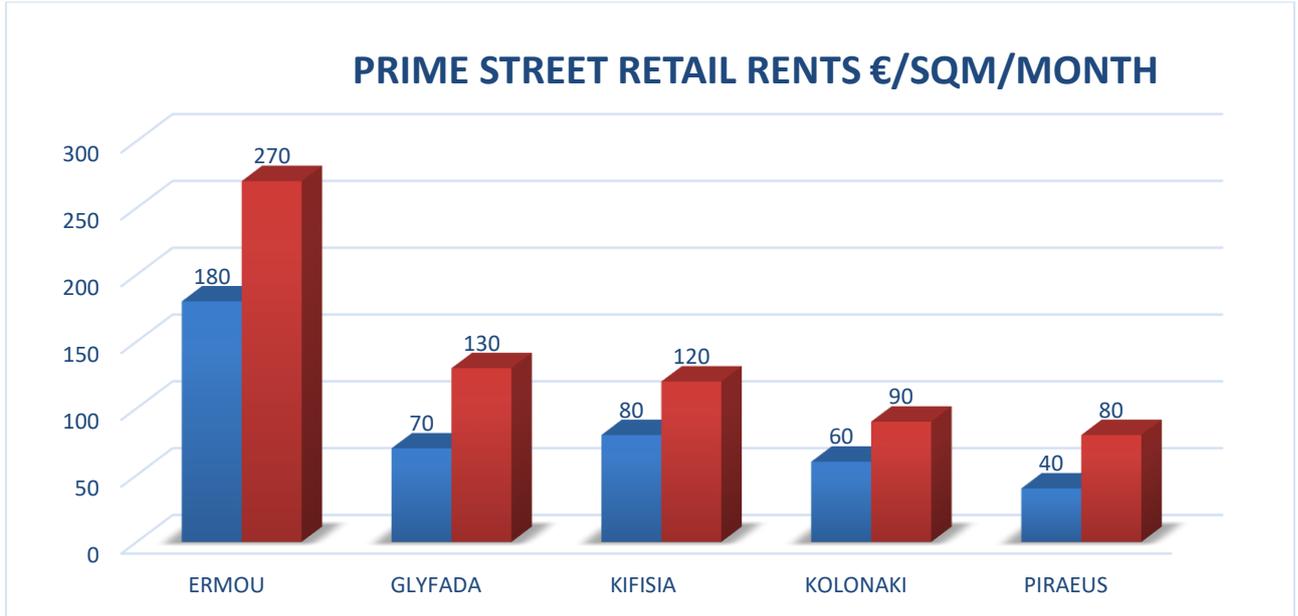
Regarding the retail centers extensions:

1. **Expansion of the Smart Park**

Until November 2019, the expansion of the Smart Park shopping center in Spata will be completed. An investment of 26 million €, which will expand the surface of the mall by 15,500 sqm.

2. **Expansion of the Golden Hall**

The procedures for expanding the Golden Hall shopping center are also in progress. It will be an investment of around 25 million € and the extension of the shopping center will add 11,500 sq. m. GLA and new parking spaces.

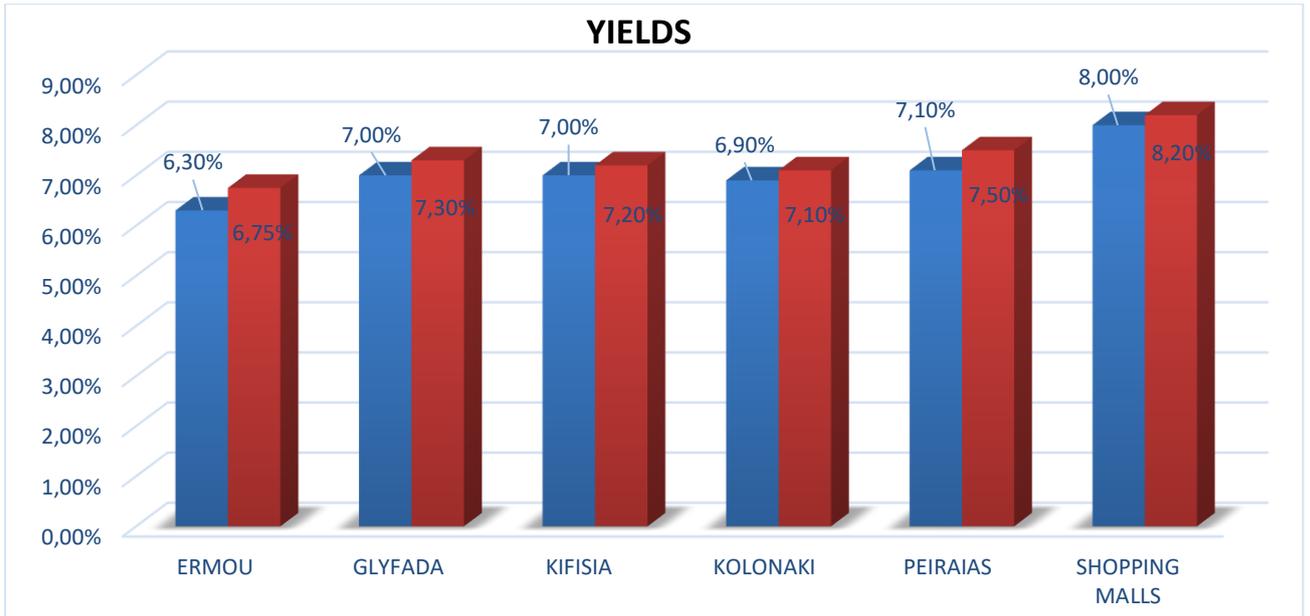


Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

MARKET TRENDS	
RENTALS	➔
YIELD	➔
VACANCY RATE	➔
ABSORPTION	➔

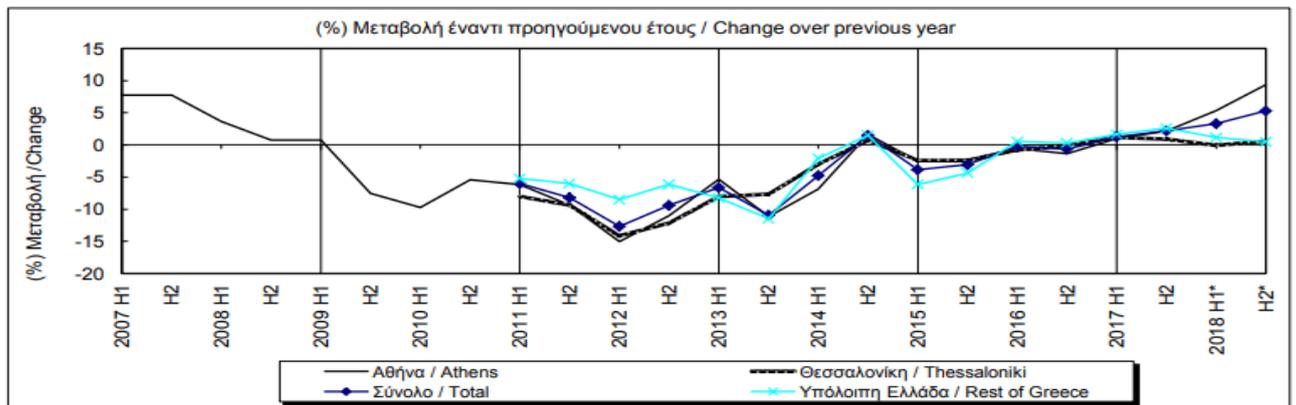
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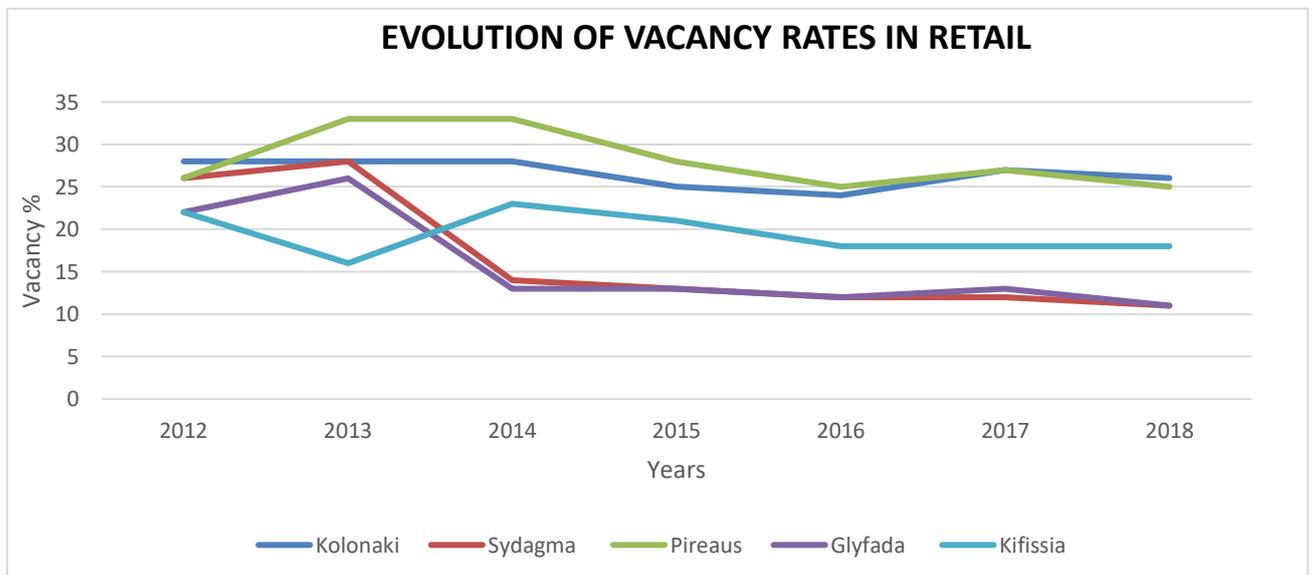


Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

RETAIL PRICE INDEX



SOURCE: Bank of Greece



Source : Institute of Commerce and Services of The Hellenic Confederation of Commerce and Entrepreneurship (ESEE) Analysis: Danos BNP PARIBAS REAL ESTATE

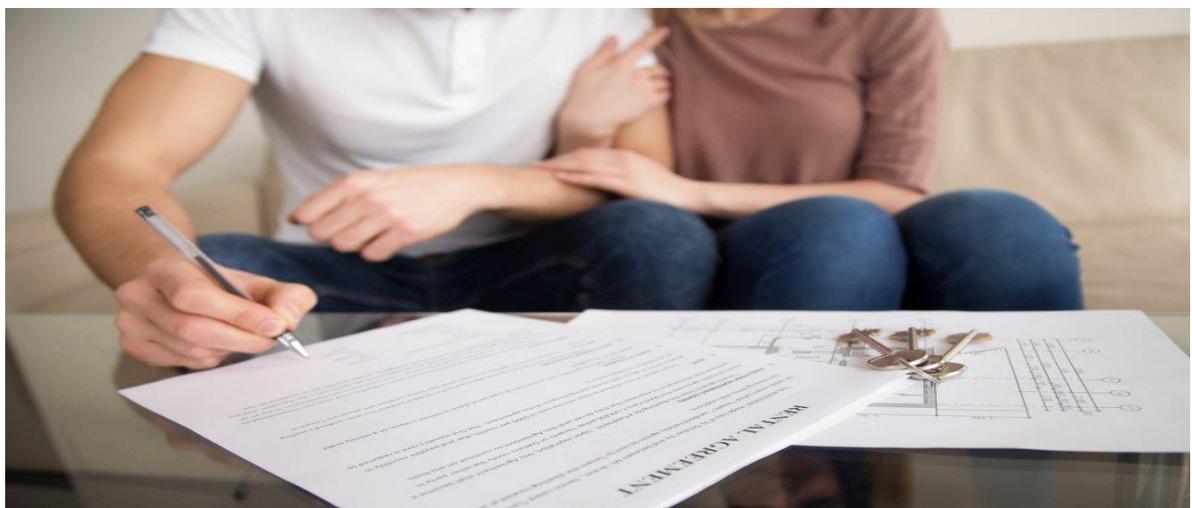
Residential Market

The high demand of AIRBNB and the stagnated development activity in the country has resulted the increase in rents in the center of Athens but also in the neighboring areas, where the prices of many dwellings currently available for long-term lease are over 40%, with a shortage for available houses for rent. More than 126,000 homes are listed on the AIRBNB platform in the country, compared with 96,000 in 2017 and 57,000 in 2016.

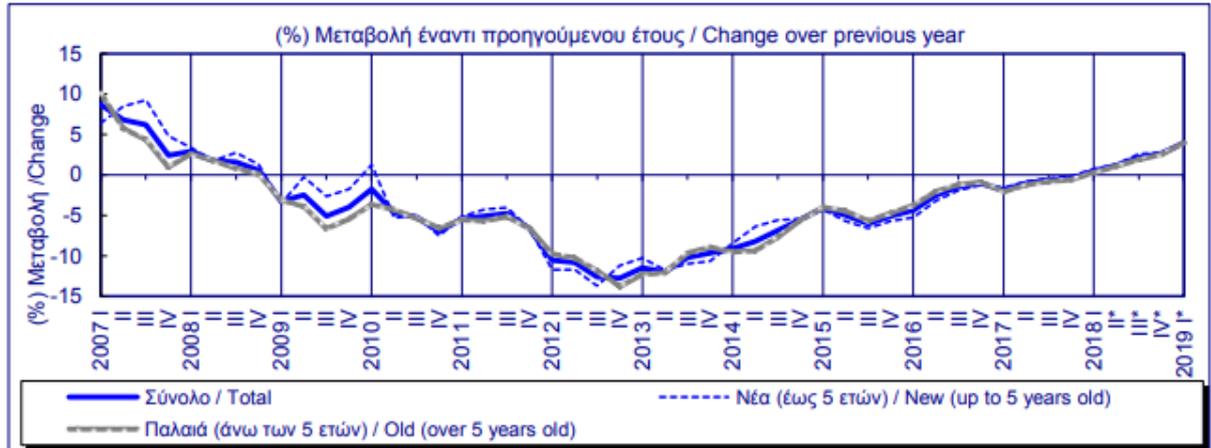
In the area of Makrigianni the rents in 2018 increased by 35% compared to 2017, in Exarchia area increased 34%, in Kolonaki area 23% and in the Hilton area approx. 50%.

In the historic center of Athens there are 1,500 listings of homes, with an average price of 55-70 € per night and occupation of about 35%, with a monthly income of ~ 578-750 €, 45-87% higher than the conventional long-term lease income (~400€).

A new type of companies offers full management services to landlords hired through Airbnb, from the promotion, to booking management & the cleaning and usually collecting, an amount ranging 15% to 20% of the income earned by the owner.



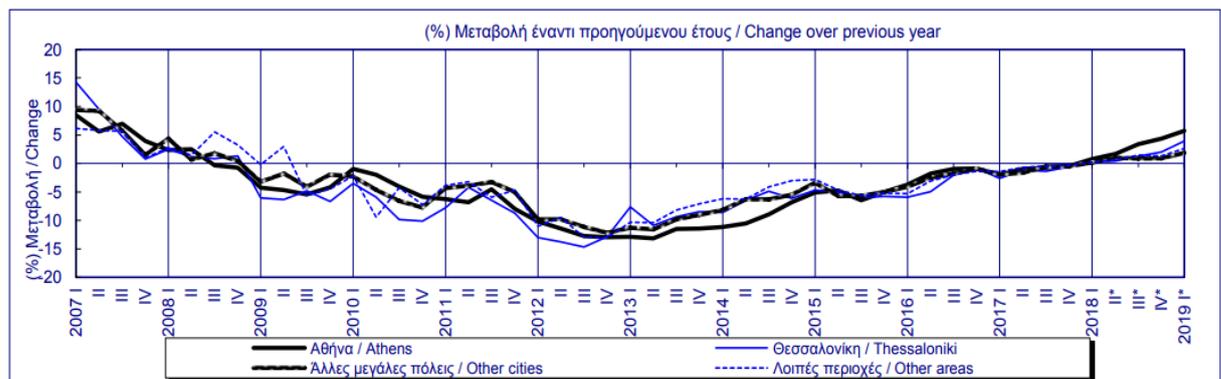
INDEX OF APARTMENT PRICES BY AGE



Source: Bank of Greece, data collected from the MFIs. Provisional data



PRICE INDEX OF APARTMENTS BY GEOGRAPHICAL AREA



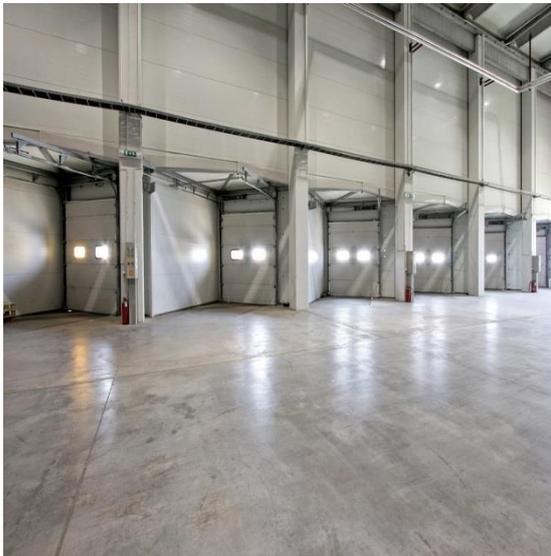
Source: Bank of Greece, data collected from the MFIs. Provisional data

Logistics & Industrial Market

The infrastructure improvements of Piraeus & Thessaloniki ports combined with the geographical location of the country attract foreign companies to invest in the logistics sector.

The construction of the first 120,000 sqm in Thriasio I, is expected to be launched by Goldair Cargo - ETBA BIPE, the final preferred bidder of the GAIAOSE tender.

300 million € total investment projects will start soon, such as the logistic centers in Volos, Igoumenitsa & Patra and a new tender for Thriasio II, (1,200 acres), at the neighboring OSE property in Aspropyrgos, is in the process.



MOTOR OIL, bought for 12.6 million € the adjacent to its refinery area of 85,645 sqm and signed a Memorandum of Understanding with OSE for the modernization of 9.5 km of the existing railway line, that connects the company's refinery to Agioi Theodoroi with the station at the Isthmos of Korinthos. The 13 million € project will be implemented by the company under OSE technical supervision.

The GEFCO group, acquired by the Russian Railways (RZD), officially announced the establishment of a subsidiary in Greece.

A large investment is planned by Sklavenitis Hellenic Supermarkets, which intends to create a new logistics center of 100,000 sqm in Attica during the period 2020-2021

In order to transfer most of its production to the Inofyta plant, SARANTIS GROUP is expanding its warehouses.

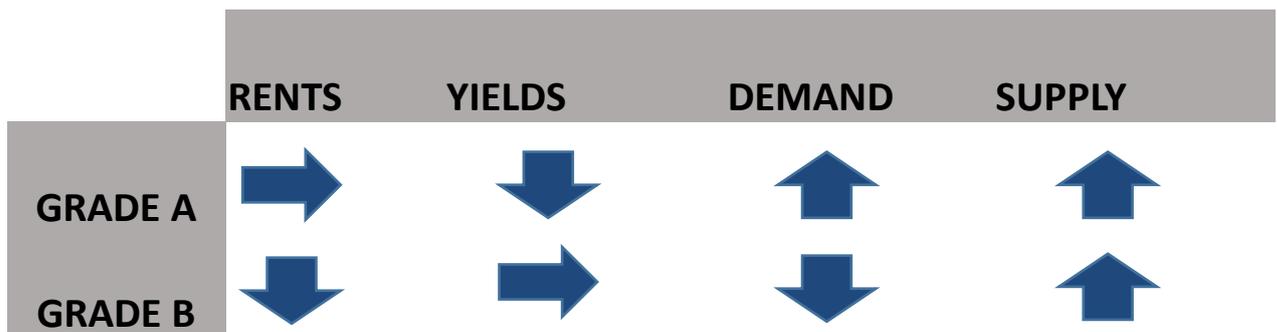
The SATO group lent to a bank, for exploitation, its logistics center, ~ 55,000 sq. m. at the 27th km of National Road Athens - Korinthos, in return for debt cancellation.

FOURLIS GROUP has decided to invest 8m € to support INTERSPORT's logistics center.

As far as demand is concerned, there has been significant activity on the market with new lease agreements, with surface sizes for rent ranging between 500-2,000 sqm in relatively urban areas and demand for larger surfaces up to 10,000 sqm in the regions, where 3PL companies are looking to develop new projects (with additional uses with office space).

The rents are in Athens around 2,50 € / sqm/ month for industrial use, while for logistics facilities between 3.5-4 € / sqm / month, with a few transactions at an even higher level.

In particular, in Attica, a modern storage area, offers its owner a return ranging from 8.75% to 9.50%. For not modern storage areas, in more remote locations, the annual yield is between 10% and 12%.



Source: DANOS – an alliance member of BNP PARIBAS REAL ESTATE

Hotel & Tourism

According to INSETE data for January-June 2019, 8.1 million international air arrivals were recorded, up 4.4% year-on-year. Indeed, most of the increase (up 12.1%) came from the increase in arrivals at Athens International Airport, while the increase at regional airports was lower (1%).

On the other hand, road arrivals are down, with 4 million arrivals recorded in the first half of 2019, down 11.7%

Concerns are also raised by the reduced airline seats that companies have planned for Greece. Scheduled airfares for the entire 2019 tourist season are down 1.2 million or 6.7% from 2018.



The reasons for this year's likely decline are mainly based on:

- Over-supply of beds, which tends to be created (and due to the phenomenon of short-term leasing)
- Normal repositioning of nearby markets on the tourist map (eg Turkey, Tunisia, Egypt)
- Climate change, which brought about unexpectedly bad weather in May and June
- The threat of Brexit
- In the closure of airlines / large tour operators

The above worrying forecasts have not stopped the attempt of large (but also smaller) hotel chains to penetrate the market in particular Athens, which continues to record major deals and unit operations, including:

- The acquisition of TITANIA HOTEL (385 rooms) by LONDON AND REGIONAL for € 55 million
- Launch of FOUR SEASONS ASTIR PALLAS (350 rooms / in Vouliagmeni)
- The launch of COCOMAT ATHENS BC (90 rooms / Acropolis area)
- Launch of ACADEMIA OF ATHENS AUTOGRAPH COLLECTION (63 rooms / center of Athens)
- Completion of the acquisition of a majority stake in IONIAN HOTEL (owned by ATHENS HILTON) from TEMES
- Signing of the lease agreement between EFKA and FATTAL HOTELS for the reopening of ESPERIA HOTEL (174 rooms)
- Signing of the lease agreement between TEA EAPAE and ZEUS INTERNATIONAL for the reopening of KANIGGOS 21 (72 rooms)
- Agreement for the operation of LA MIRAGE (200 rooms / Omonia Square) by BROWN HOTEL

It is estimated that in the coming years about 2000 additional beds will be added to the Athenian hotel market (if the projects are officially announced).

Also important was the final signing of the agreement between TAIPED and Aggeliades and Nikolaides for the realization of Afandou's exploitation in Rhodes. In an international environment, where competition will intensify and because of the adverse economic conditions in our markets, maintaining and enhancing the competitiveness of Greek tourism and our tourism product must be a permanent objective, so that it can continue to contribute to the economy and to the society.

Meeting this goal requires the establishment of a long-term national strategy for upgrading and maturing the country's tourism product, managing destinations, a mix of economic policy that will not burden high-price competitiveness, and form a business environment that, at least, will not be hostile to new investment.

It is worth mentioning that the favorable economic environment in the countries of origin of tourists in Greece has contributed significantly to the growth of incoming tourism from 2012 onwards (+ 94% on arrivals, + 56% on revenue), allowing their citizens to make more trips, often at a higher expense.

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