

PROPERTY MARKET

ATHENS

1st semester 2017



Economic Overview

According to the data of the Greek Statistical Authority (provisional data, 1st quarter of 2017), Gross Domestic Product (GDP) based on seasonally adjusted data showed an increase of 0,4%, compared to the fourth quarter of 2016. In comparison to the 1st quarter of 2016 there was an increase of 0,4% (QUARTERLY NATIONAL ACCOUNTS - ELSTAT, 2017).

The agreement for the consummation of the second evaluation seems to have positively affected the economic climate in June 2017, which creates stronger projects for recovery. The dynamism shown by exports, industrial production, retail sales and tourism may have a positive effect on the other sectors, and many investment opportunities are estimated to be tapped by private funds. If the smoothness of the economy is maintained, it is likely to confirm growth forecasts of more than 1.5% in 2017.

Macroeconomic Factors

In the first quarter of 2017, GDP grew by 0.4% compared with ELSTAT's initial estimations of -0.5%, mainly as a result of increased private consumption and investment stimulation, while growth increased of imports has been negative.

- GDP (% annual change, left shaft)
- Economic condition (1990 – 2015 = 100, right shaft)



Source: ec.europa.eu

Economic Overview

Finally, regarding the unemployment there is a slight decrease in the years 2016 and 2017.

GREEK ECONOMY – EUROPEAN COMMISSION PROVISIONS				
ECONOMIC INDICATORS		2016	2017	2018
GDP (%)		0,0	2,1	2,5
INFLATION (%)		0,0	1,2	1,1
UNEMPLOYMENT (%)		23,6	22,8	21,6
BALANCE OF STATE BUDGET (% GDP)		0,7	-1,2	0,6
PUBLIC DEBT (% GDP)		179,0	178,8	174,6

A milestone agreement for the privatization program of the Greek Republic, with overall multiple benefits expected for the Greek economy, is concluded on 11th of April with the concession of the 14 regional airports by the Greek State to the FRAPORT AG - SLENTEL Ltd. Consortium.

The completion of the concession agreement of the airports for 40 years between the Greek government and Fraport Greece was signed by the competent ministers of Finance, Mr. Euclides Tsakalotos, Infrastructure and Transport, Mr. Christos Spirtzis, and National Defense, Mr. Panos Kammenos. On behalf of HRADF, the agreement was signed by its' CEO, Mr. Antonis Leousis.

Within the Consortium obligations falls the upgrading of the airports within the first 4 years of the concession, so as to comply with objectively defined Level C criteria, as specified by IATA and, subsequently, to maintain and preserve the said service levels for the whole duration of the concession. Infrastructure and facilities to be built by the investor are also placed under the ownership of the Greek government and are to return to the latter on the expiry of the concession.

Office Sector

The market witnessed a marginal increase in prime rents for Grade A offices in 2017 and still going as a result of increased expectations for positive economic and business growth. In 2017 the Grade A office market showed marginal increase compared to 2016, mainly as an outcome of continuous reduction in supply.

Many international institutional or private investors are looking at the local market, with very few deals having, however, been completed.

Investment yields in the Greek office market range from 8.00% - 9.50%.

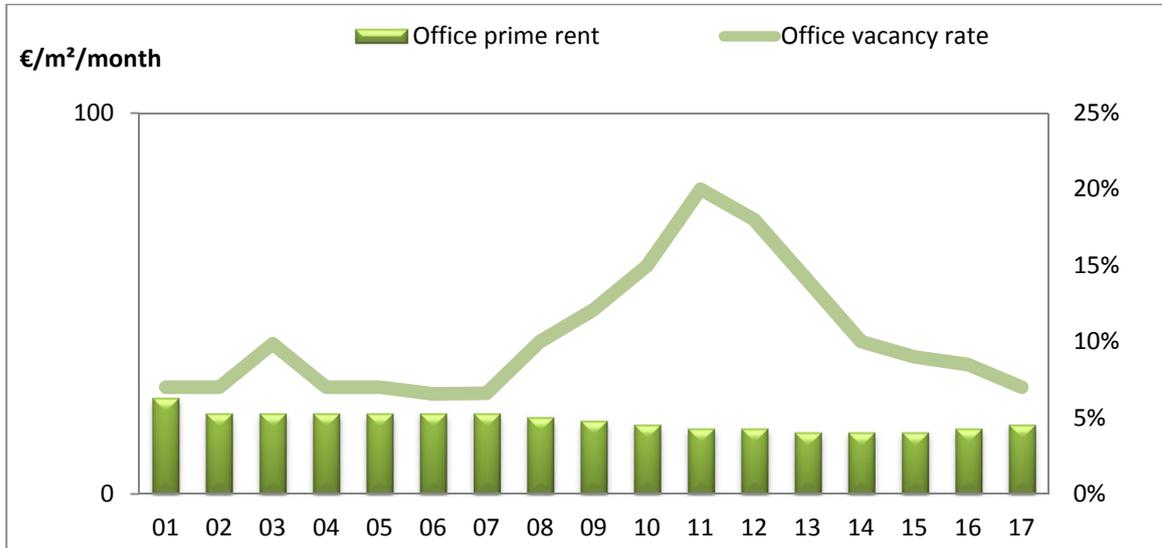


Athens Office Market			
Athens Centre (C)	West Suburbs (w)	North Suburbs (N)	South Suburbs (S)
City Centre	National Rd	Kifisias Av.	Sygrou Av.
Ampelokipi	Petrou Rali	Mesogeion Av.	Amfitheas Av
Stadiou	Iera Odos	National Rd	Vouliagmenis Av.
Panepistimiou		Attiki Odos	Poseidonos Av.
Vas. Sofias			Piraeus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

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

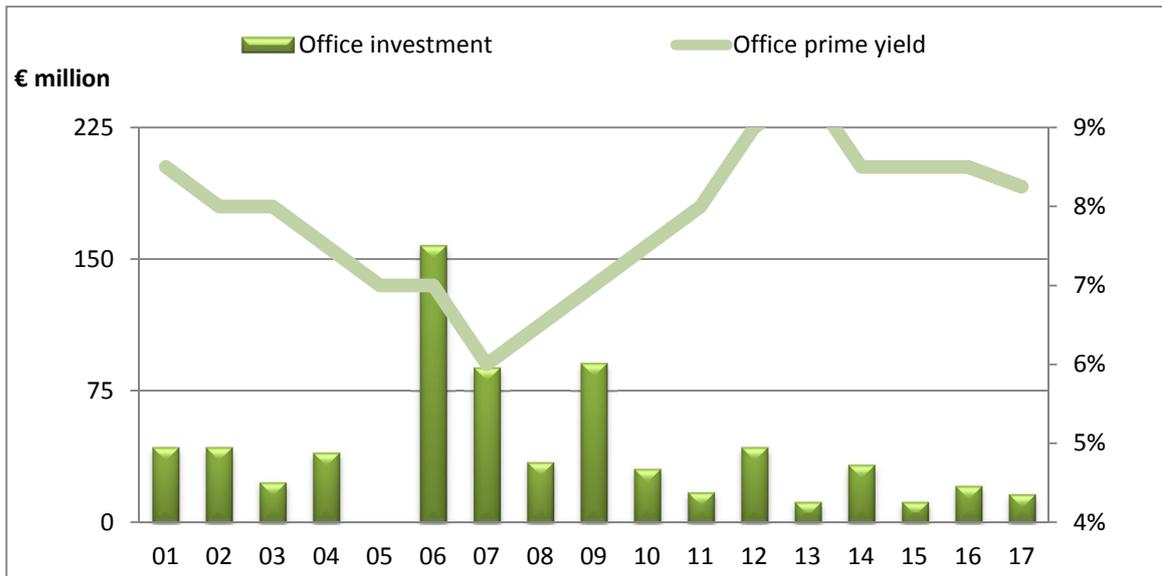


Prime Rent – Vacancy Rate



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

Prime Investment & Yield



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

Supply & Demand

In the greater Athens area, the total Grade A and B office stock in the 1st semester of 2017 amounted to 2.2 million sq m with almost half being concentrated in the northern suburbs.

The vacancy rates in the top three office markets, City Centre, Athens North and Athens South, have decreased over the last two years for both Grade A and B stock exhibiting a take-up trend. The Piraeus office market has been substantially affected by the upcoming projects in the Athenian Riviera.

With the projections for economic recovery in the market from 2017 and onwards and taking into consideration the demand of the institutional investors, especially for Grade A offices, yields are expected to decrease. Overall, rental levels, especially for Grade A offices, have reached the bottom and after the stabilization, that we have faced in the last semesters, are expected to increase together with the wider financial growth in the economy.

	Rents	Yields	Demand	Supply
Grade A				
Grade B				

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



Retail Market

Retail activity was increased mainly by multinationals and large Greek companies that continue to expand their network nationwide but also to relocate their stores to better locations.

The demand of the main commercial companies was concentrated mainly in prime areas such as Ermou Str., where Forever 21 opened its first store in Greece, Glyfada, Kifissia, Tsimiski str. (Thessaloniki) and in the dominant shopping centers in Athens & Thessaloniki, where there are no available vacant shops for rent. The requested rents in the high streets increased and key money, especially in Ermou Str. and Glyfada returned back as an extra asking amount.

Regarding the demand in the largest secondary markets such as Kallithea, Peristeri, Chalandri, Nea Smyrni, the vacancy rate dropped and that resulted the stabilization of the rental values.

Retail markets in popular tourism destinations, like Mykonos, Santorini, Corfu and Rhodes have showed an increase in the demand and the rental levels and in the prime retail areas asking key money is back on track.

Yields in the retail market have slightly dropped and we estimate that in Ermou Str. is 6.5%-7% at the moment. with other prime markets at 7%-8%.

MARKET TRENDS

Rentals 

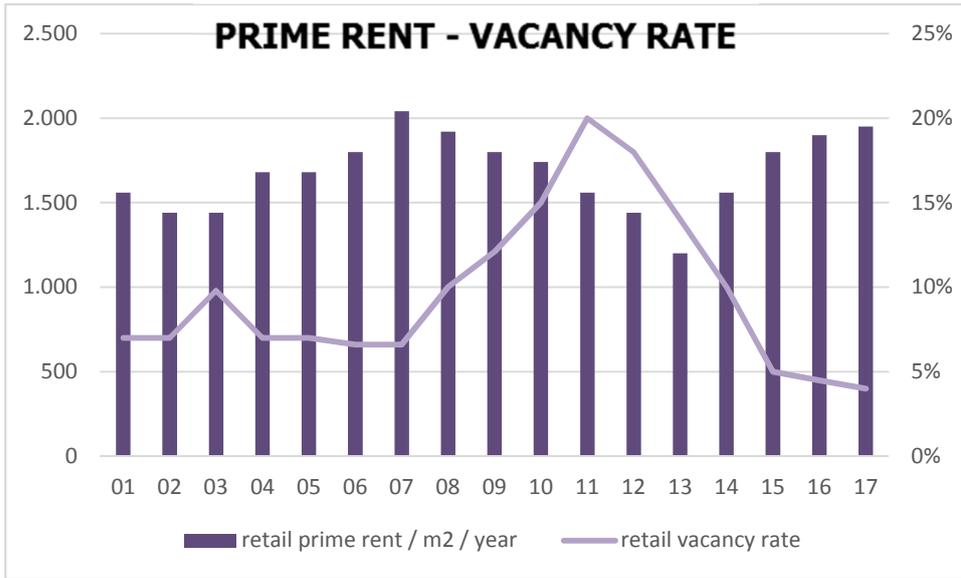
Yield 

Vacancy Rate 

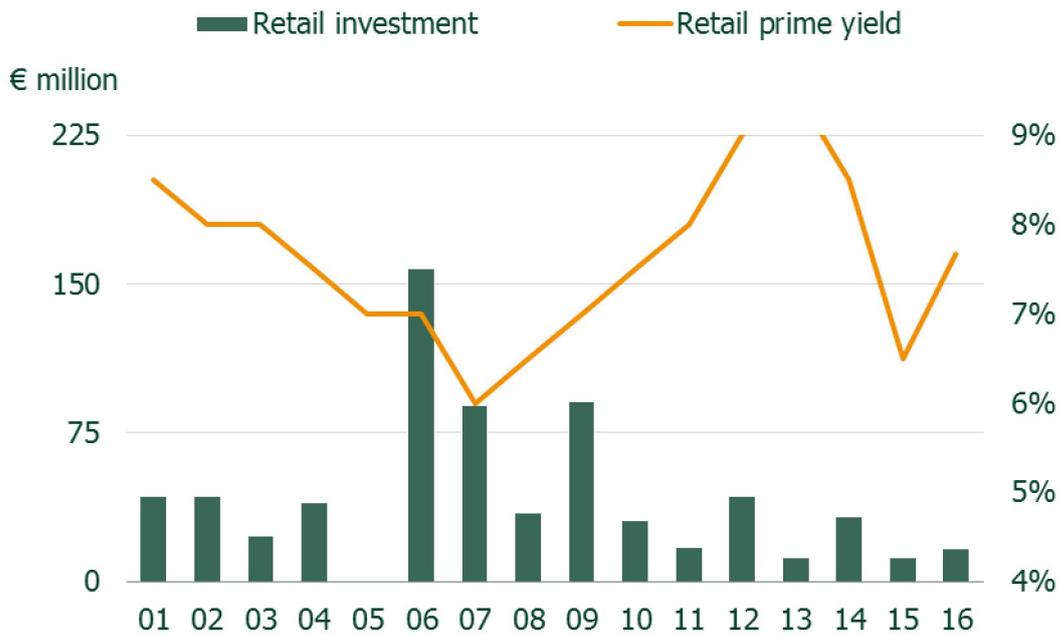
Absorption 

Source: DANOS – in alliance with BNP PARIBAS REAL ESTATE





Source: DANOS – in alliance with BNP PARIBAS REAL ESTATE



Source: DANOS – in alliance with BNP PARIBAS REAL ESTATE

Residential Market

The residential market is still a deep sleeper with minimum transactions. The prices seem to have been continued to decrease slightly in most areas with only a few prime areas showing signs of stability. The house prices dropped by just 0.46%, in Greece's urban areas during 2016, according to the Bank of Greece.

There is a pickup in rental activity with strong demand for medium/good quality homes for rent, that mainly arise from people that try to take advantage of the low prices.

The main reason that the market hasn't picked up in sales/acquisitions yet is the lack of financing. The banks still haven't start giving new loans and should the mortgage market recover, demand will pick up on the same time taking advantage of the low sale prices. The dramatic fall of income and of economic sentiment and in particular of consumer sentiment and the big increase and confusion caused in property taxes, contributed to a drastic fall of the demand for housing at abnormally low levels.

In order to revive the residential market, the Greek government instituted in 2013 the procedure for the issuance of permanent residence permits in Greece, renewed every five years in interested third countries by purchasing real estate worth more than 250,000€.

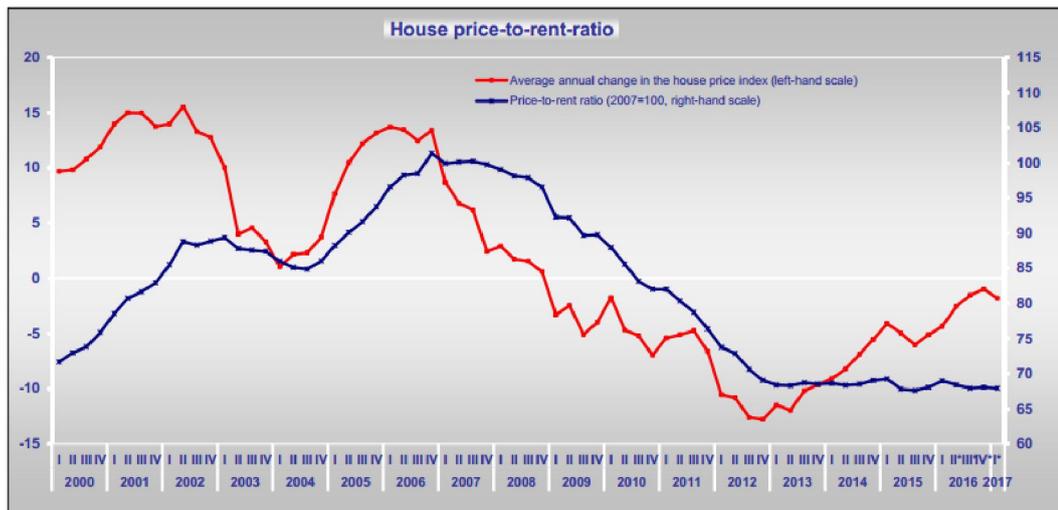
About 1,700 residence permits have been issued from the beginning of the program in 2013 to the first five months of 2017. Most foreign buyers are Chinese, Russian, Egyptian and many Turks who have increased the number of residence permits by 50% since February 2017 onwards.



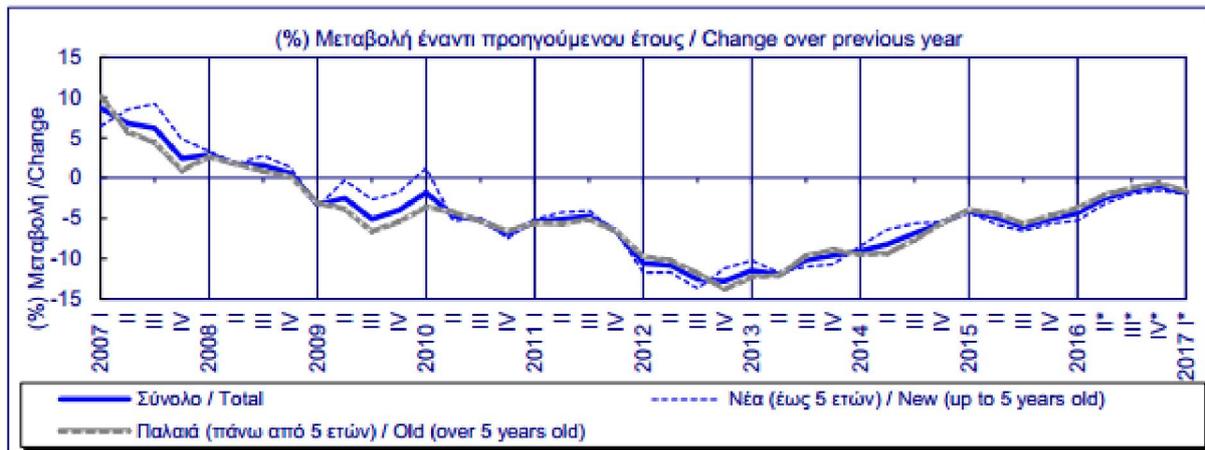
NEW INDEX OF APARTMENT PRICES BY AGE



BANK OF GREECE
EUROSYSTEM
Economic Analysis and Research Department
Real Estate Market Analysis Section



Source: Bank of Greece



Logistics & Industrial Market

The longer term outlook for the industrial market appears positive, helped by Cosco's plans to boost the port's container traffic to 5 million TEUs by 2018, turning Greece into a transshipment hub for rapidly growing trade between Asia and Eastern Europe. This will depend on infrastructure investment for combined transport, such as major highways and a modern rail network, being agreed.

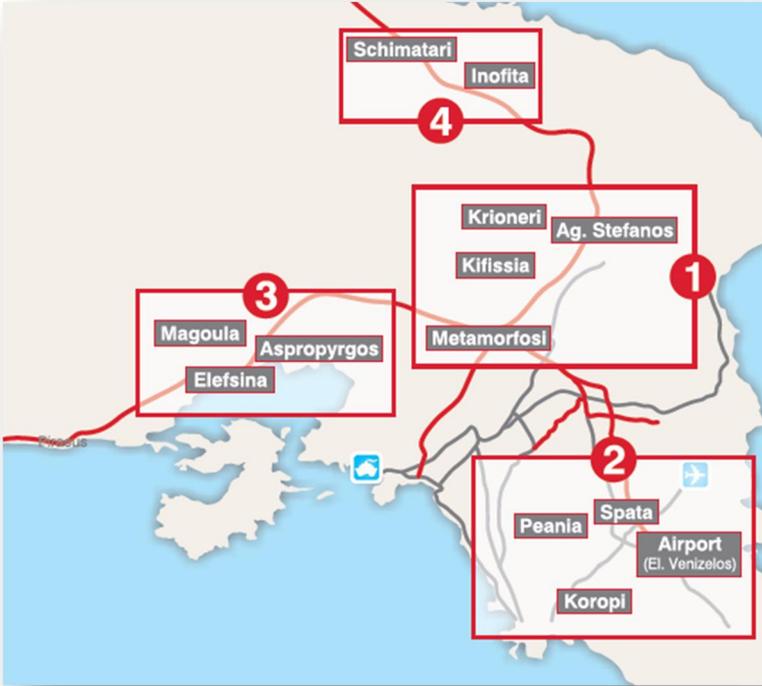
Following the 51% transfer of Piraeus Port Authority shares to Cosco in Q3 2016 and the agreement to sell Trainose to Trenitalia, there are several investments in the process of being completed. Goldair and ETBA consortium have been given the green light by GAIAOSE to construct and operate the new 588,000 sq m logistics center in Thriasio.

Investment activity was very subdued in H1 2017 with deal negotiations lengthy but was vastly increased the last 3 months and we expect it to last also during the second semester of 2017.



	Rents	Yields	Demand	Supply
Grade A	↔	↔	↔	↓
Grade B	↓	↔	↓	↑

Source: DANOS – in alliance with BNP PARIBAS REAL ESTATE



Athens North (1)

Metamorfosi
 Kifissia
 Krioneri
 Agios Stefanos

Athens East (2)

Koropi
 Spata
 Markopoulo
 Peania

Athens West (3)

Aspropyrgos
 Magoula
 Elefsina

Viotia (4) Oinofyta & Schimatari

Hotel & Tourism

The Greek Tourism Confederation is optimistic for 2017 forecasting at least 26 million international tourists, representing an increase of 5% and significantly higher receipts, targeting at €14.4 billion, an increase of 12.9% y-o-y. We assume that this increase is based on expected changes in the market mix.

At the Athens International Airport total international arrivals declined in Q1 2017 with 0.6% y-o-y, mainly caused by the performance of the month of February, which recorded a drop of 7% y-o-y.

Occupancy levels as well as room rates of Athenian hotels showed a positive trend, resulting in an improvement of RevPAR in Q1 2017 of 12.3% y-o-y.

International arrivals at the airport of Thessaloniki increased significantly by 11.8% y-o-y during Q1 2017. February was particularly strong, which was reflected in the occupancy levels of the Thessaloniki hotel sector. Overall, RevPAR increased by 10.1% y-o-y in Q1 2017.

The improved climate in the tourism industry is reflected in the important agreements that have been completed in 1st semester of 2017. Among others:

- Zeus International **has reached a lease agreement of the Poseidon Resort in Loutraki**. The indebted hotel will be rebranded as the 108-room Wyndham Loutraki Poseidon hotel and the 207-room Ramada Loutraki Poseidon. Ramada is a brand of Wyndham Worldwide.
- Zeus International, as part of a wider development plan with the Wyndham Hotel Group signed deals in March with 2 hotels of the Xenotel Hotel Group in Attiki: the 346-room Mare Nostrum in Vravra and the 129-room Aqua Marina in Nea Makri. The hotels will be rebranded as the Ramada Plaza Attica Riviera and the Wyndham Garden Attica Riviera and will be in operation as such from 2018.
- **Accor**, which currently has the Novotel and Sofitel in Athens in their portfolio, announced in March that it will expand with an Ibis Styles hotel in Heraklion, Crete. The 72-room Ibis Styles Heraklion Central Hotel will be constructed by Polis H.M. S.A with a budget of € 15 million. Furthermore, Accor is planning for a first Ibis hotel in Athens and a Novotel in Piraeus.
- In February Eurobank confirmed that out of 5 bids the preferred buyer of the 700-room Capsis hotel is Nikos Koutras, owner of two major resorts on the island of Kos.
- HINES was the only bidder in the foreclosure process for the acquisition of ATHENS LEDRA HOTEL in Syggrou str., offering 33.5 million €.
- Also, for the 2nd semester 2017 is planned the completion of the tender for the long-term lease of a property of the "MUTUAL PROVIDENT FUND OF AGRICULTURAL BANK OF GREECE FORMER EMPLOYEES (ATPPEATE)" in Athens with a hotel use the ex King's Palace in Syntagma Square.

The forecasts remain auspicious for the coming years, as according to the PWC-RiMaKo study, may the arrivals in 2021 to exceed 35 million € and revenues of 20 billion €, while direct employment to exceed 1 million € and tourism to reach to contribute in 2021 €43 billion to the GDP of the country.

Of course, the above requires major moves for planning the next steps in order to expand the seasonality, the development of thematic tourism etc.





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