



ATHENS PROPERTY MARKET

2nd Semester 2016



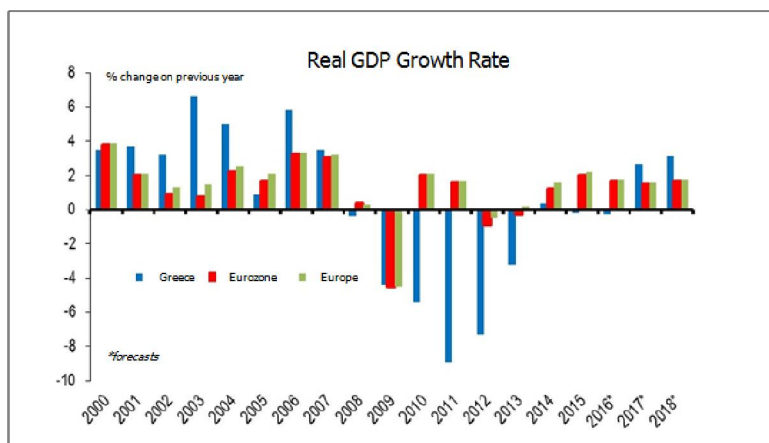
Economic Overview & Indices

The Greek economy shrank by 0.2% in 2015 and is expected to shrink further by 0.3% in 2016, according to the EU. The return to positive growth (+ 2.75) expected for 2017, although this perspective it is rather fragile, because of the outstanding challenges in the interior economy (eg, the high of debt, lack of liquidity, the high tax factors combined with the ever changing tax context, refugee crisis).

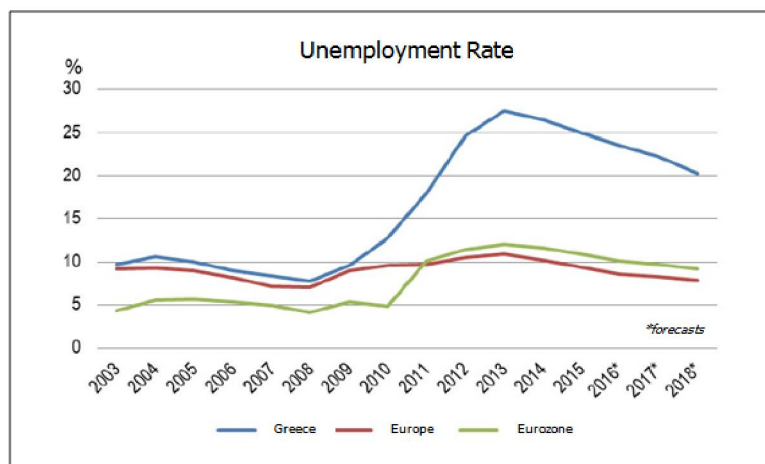
A lot depend now on the state of negotiations on the completion of the second program evaluation, which everybody participants hoped that will be held within the first months of 2017.

Any delays, which to some extent come and by disagreements between the lenders themselves, seriously undermining economic confidence and activity, as the Bank of Greece recently wrote (November 2016) "a possible failure to reach agreement could to stop the upward trend of the economy, resulting in a return to uncertainty".

Greece's recovery should pick up speed this year, supported by a robust tourism sector and a mildly improving labor market. However, the pace of growth will remain subdued given the severity of the recession and concerns persist around the sustainability of the country's debt load.



Source: BANK OF GREECE



Source: BANK OF GREECE

Office Sector

The office sector in general has been stabilized. Rental prices in prime office locations have been stable in general and fluctuate between 8 € and 19 €/sq m with few exceptions. Major Avenues like Sigrou have seen a slight decrease of activity and therefore in price levels while other business districts have seen quite some transactions.

In the relevant graph we can see the Rental Values as have been estimated by Danos Company and the price range for various prime location buildings. The price difference indicates the various qualities of buildings and the major inefficiency in the market due to low transaction volume.

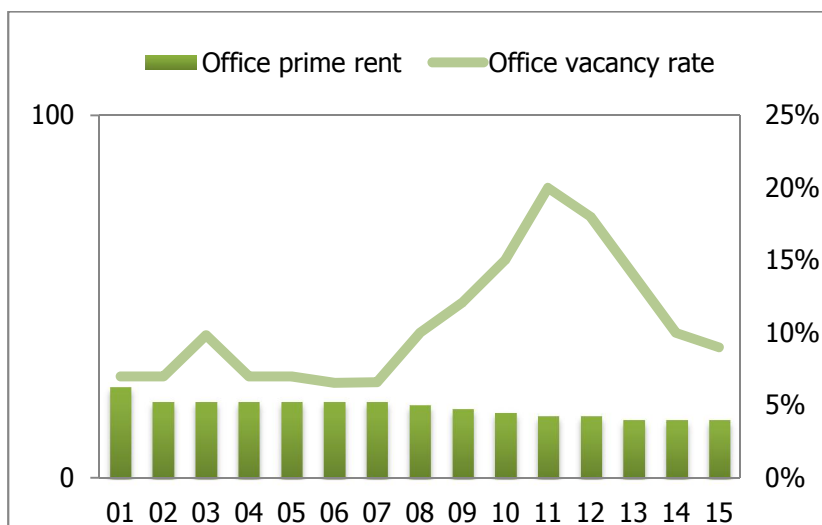


Athens Office Market			
Athens Centre (C)	West Suburbs (w)	North Suburbs (N)	South Suburbs (S)
City Centre	National Rd	Kifisias Av.	Sygrou Av.
Ampelokipi	Petrou Rali	Mesogeion Av.	Amfitheas Av
Stadiou	Iera Odos	National Rd	Vouliagmenis Av.
Panepistimiou		Attiki Odos	Poseidonos Av.
Vas. Sofias			Piraeus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

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

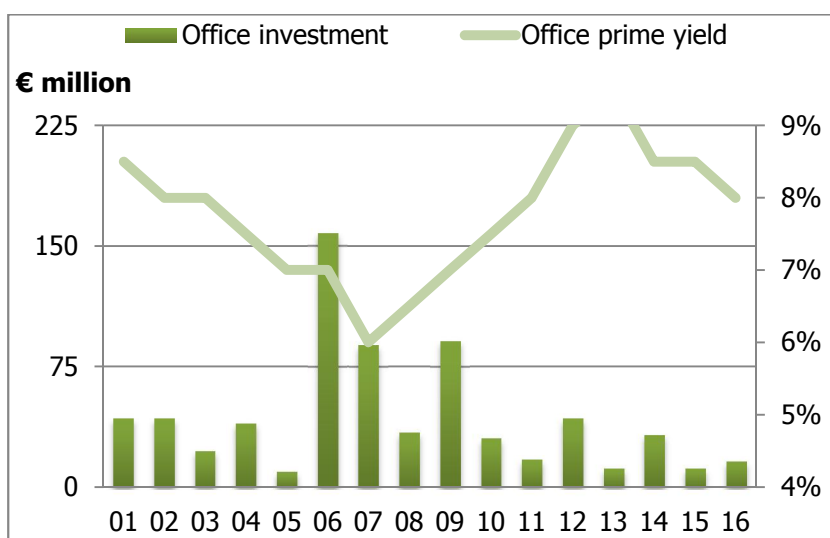


Prime Rent – Vacancy Rate



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 is c 1,8 million m² mostly concentrated north and in the wider CBD area.

The consecutive fall in rental values since the credit crunch in 2008, led to Grade A and Grade B office accommodation in prime locations becoming more affordable.

The outcome of this imbalance created an increase in demand for Grade A quality space in prime locations and an excessive supply of Grade B by upgrading the space to their requirements in return for rent free periods. Prolonged escalation period and reductions in rent.

As such there is little supply and high demand for Grade A and B offices in the city of Athens, especially in prime locations, while on the other hand there is large supply of and almost zero demand for Grade C and D office space.

Vacancy rates of Grade A and B building are much lower than the vacancy rates of ageing Grade C and D offices.

	Rents	Yields	Demand	Supply
Grade A	⇌	⇌	⇌	⇌
Grade B	⇌	⇌	⇌	⇌

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



Retail Market

The most severely hit of the real estate market, during the crisis was the retail sector. During 2016, there was some activity. Big retail brands seem to take advantage of the historical low prices in the major retail streets. Overall prices have been stabilized, vacancy has dropped, and absorption has increased.

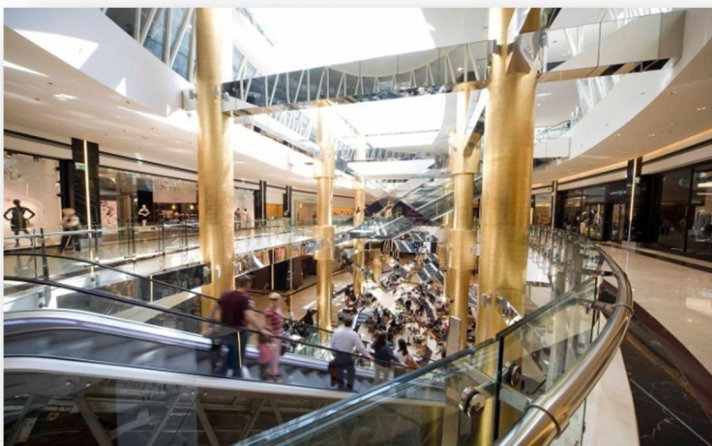
Before the radical political developments, it was expected a pickup in private consumption to occur, now any projections have to wait for the first evaluations of agreed measures of the bailout program. On a micro real estate note, there was a focus on local and secondary retail markets the last 2 years that starts to fade away. Retail markets such as Nea Smirni and Chalandri have still low vacancy rates in their main streets but now primary markets have picked up significantly mainly in the sense of vacancy. We have seen substantial leases in higher prices in streets like Ermou (CBD) and Metaxa (Glyfada) and other main markets.

Yields in the retail market have slightly dropped and we estimated that Ermou is around 7% at the moment, with other prime markets at 7.5-8.5%.

MARKET TRENDS

Rentals	➡
Yield	➡
Vacancy Rate	➡
Absorption	➡

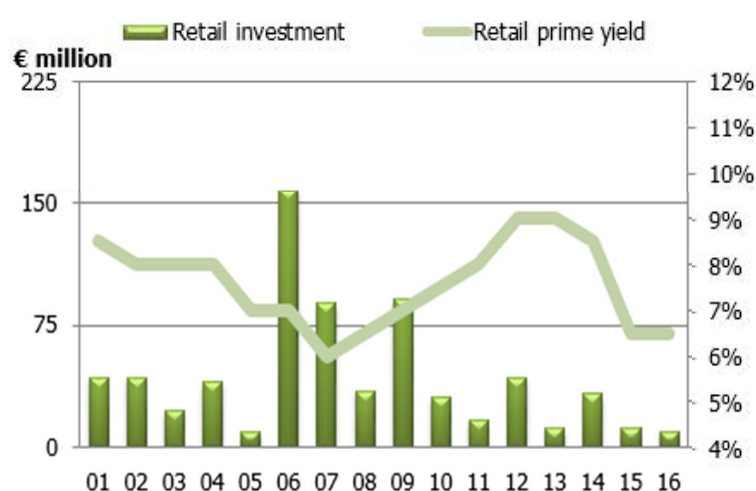
Source: DANOS - an alliance member of BNP PARIBAS REAL ESTATE



Prime Rent – Vacancy Rate



Investment – Prime Yield



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

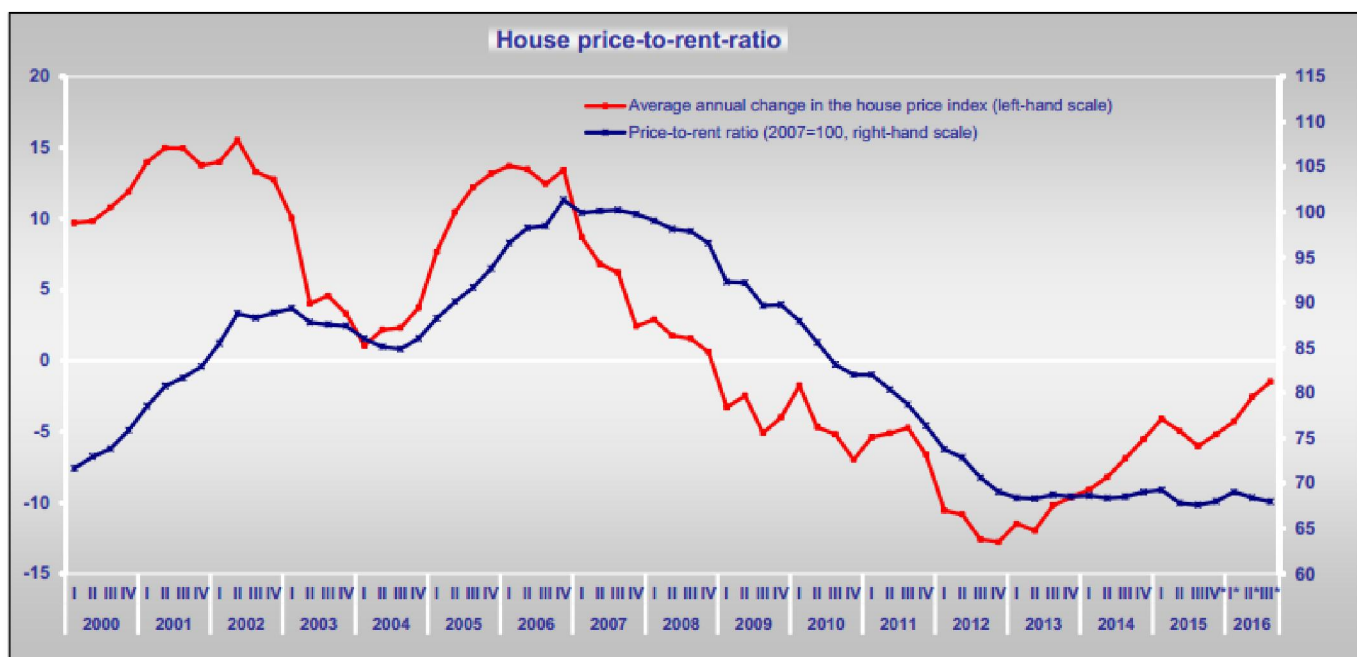
	High Street Retail			2ndary Street Retail			Grade C		
	Rent	Yield	Vacancy Rate	Rent	Yield	Vacancy Rate	Rent	Yield	Vacancy Rate
Athens Center (C)	150	6,5%	5%	55	8,00%	16%	30	9,00%	25%
Athens West (W)	65	8,00%	n/a	35	9,50%	n/a	15	10,50%	n/a
Athens North (N)	85	7,00%	5%	45	8,50%	20%	30	9,50%	n/a
Athens South (S)	90	7,00%	7%	50	8,00%	25%	20	9,00%	n/a
Piraeus	50	9,00%	4%	35	10,00%	25%	15	11,00%	n/a

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. 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.

During the six years of recession, several factors led to the collapse of the housing market. 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.



Source: Bank of Greece

Logistics & Industrial Market

The market is characterised by a dearth of activity with very few leasing deals occurring, linked to the economic uncertainty shrouding the Greek market.

Deals that are closing stem from existing occupiers taking advantage of the weak fundamentals and either moving to secure better price space or indeed renegotiating their existing leases to be more flexible and at a lower rent.

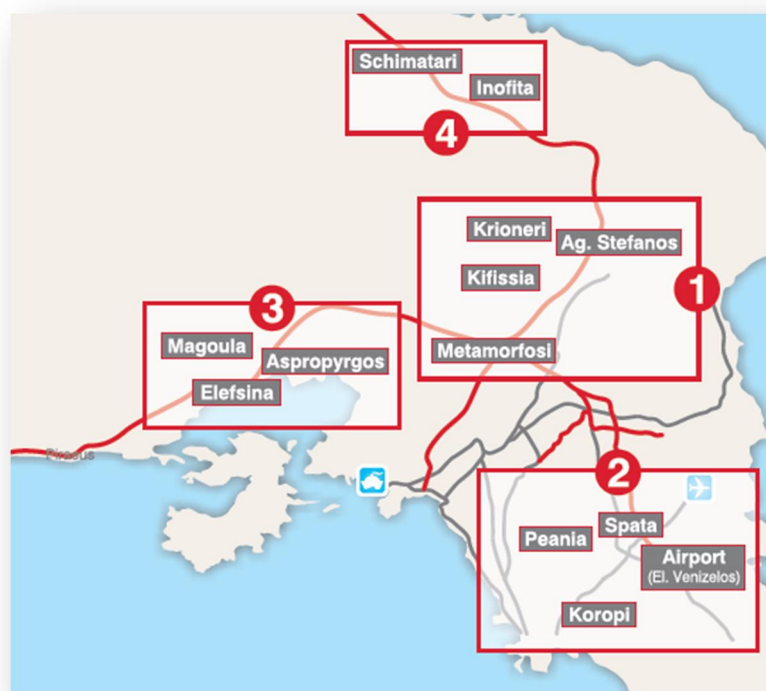
Prime rents are 2,50 €/sq m/month for industrial in Athens and 3 – 4 €/sq m/month for logistic and expected to remain stable. Supply over 2016 was more or less static with any rise attributed to the release of space by current occupiers. Developers have postponed plans linked to the fragility of the occupational market.

Investment activity was very subdued in 2016 with deal negotiations lengthy but was vastly increased the last 3 months and we expect it to last also during the first quarter of 2017.



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

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



Athens North (1)

Metamorfosi

Kifisia

Krioneri

Agios Stefanos

Athens East (2)

Koropi

Spata

Markopoulo

Peania

Athens West (3)

Aspropyrgos

Magoula

Elefsina

Viotia (4) Oinofyta & Schimatari

Major Transaction for 2016

Project Name	Period	Type	Area	Status/ Yield	Price
IBG	Q1	Office Building	Marousi	Empty	€ 9 ml
Grivallia REIC	Q1	Office Building	Athens – CDP	~7,5 % (~20% not lease)	11.3 ml
ICI REIC	Q1	Retail Building – Big Box	Irakleio Crete	8%	5 ml
IASIS Pharma	Q1	Logistic	Athens – Koropi	Empty	2,5 ml
Aktoras	Q2	Office & industrial Building	North Athens	7%	25 ml
Grivallia REIC	Q2	Office Building	North – Marousi	7 %	14,3 ml
BB Energy	Q2	Office Building 5.000 sqm	North – Marousi	Empty	8,5ml
ICI REIC	Q2	2 Office spaces	Athens – CDP	11% Empty	2 ml

Hotel & Tourism

In 2016, there was a new arrival record (about 27 mill. €, an increase of 5% compared to 2015), which is due mostly to the political unrest in neighbouring countries, but also to the fact that Greece remains a safe destination. At the same time, there was a reduction of revenue of about 6% (from € 14,1 billion in 2015 to € 13,2 billion in 2016) due to the reduction of the overnight and day accommodation and also the per capita spending.



The improved climate in the tourism industry is reflected in the important agreements that have been completed in 2016. Among others:

- The completion of the sale of "ASTERAS VOULIAGMENIS" at "APOLLO INVESTMENT HOLDINGS" for the amount of 400 million. €, which is planned to build two 6* units, which will replace the existing hotels Arion and WESTIN, as well as 15 luxurious villas.
- The acquisition of the "ATHENS HILTON" (506 rooms) from "DOGUS-TEMES" consortium for the amount of 142 mil. €
- The lease of the former "IMPERIAL" at Karaiskaki Square by "ZEUS INTERNATIONAL" and the entry into operation as "WYNDHAM GRAND ATHENS" (276 rooms), the first hotel of this chain in Greece.
- The Agreement of "MARRIOTT" with the "Group Chandris" for the major renovation and management of "METROPOLITAN HOTEL" at Sygrou Ave.
- The lease of the former Ministry of Education (property of the Church of Greece) on Metropoleos Str. and the entry into operation as "ELECTRA METROPOLIS" (216 rooms).
- The reopening of the former "2 FASHION HOTEL" on Omonia Square by a new operator with the new name "ATHENS TIARE HOTEL" (capacity 111 rooms).

Also, for 2017 are planned and other major projects in Attica, such as the sale of “ATHENS LEDRA” (310 rooms), the completion of the tender for the long-term lease a property of the “MUTUAL PROVIDENT FUND OF AGRICULTURAL BANK OF GREECE FORMER EMPLOYEES (ATPPEATE)” in Athens with a hotel use, the reopening of “PENTELIKON HOTEL” under new management, the completion of the renovation of “EDEN BEACH” (250 rooms) by the new owners etc.

The great interest of investors and chains (domestic and foreign) for investments in Greece, shows the autonomous tourism / hotels in the rest of economic activities.

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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