

THESSALONIKI PROPERTY MARKET

2nd Semester 2016



Economic Overview

Greek economy is gradually returning to positive development rates. The GDP was increased by +1,8% in the third quarter of 2016 on annual base (over +1,5% according to the initial valuations of ELSTAT), primarily due to the increase of private consumption by +5,1% (over -4,1% decrease in the third quarter of 2015), which was supported by the rise of salaries in the economy overall (+2,1% in real terms in the 3rd quarter of 2016). At the same time, activity in most of the sectors and specifically the industrial, retail and tourism is increased as Greek exportations seem to retrieve the dynamic they used to have in 2014.

More specifically within the positive progressions are included:

- The boost of industrial production in processing except oil products in October 2016 (+6,7% over -1,2% reduction in October 2015), for 5 months in row (+3,6% for the period January – October 2016), as well as in most of the industrial sectors (+8,9% in oil products, +8,9% in electricity, +2,6% in water provision).
- The rise in sales in processing except oil products for 4 months in row in September 2016 (+1,4% over -1,7% in September 2015), which resulted to the supplementation of large part of the losses of the first five months of 2016 (-0,7% overall for the period January – September 2016).
- The continuation of the increase of the exportable commodities apart from fuels in October 2016 (+2,6% in value and +4,6% in volume) for 4 months in row (+1,2% in value and +4,8% in volume for the period January – October 2016), especially food products and various industrial products (+10,5% and +7,3% respectively for the period Jan – Oct 2016).
- The boost of turnovers in most of the sectors during the third quarter of 2016, especially in wholesale (+3,2% after 7 continuous quarters of downward trend), tourism (+2,6% after decrease in the past 3 quarters and additional increase +4,8% in the third quarter of 2015), land and air transportations (+3,3% and +7,4% respectively) and the car sector (+18,6%).
- The improved conditions in services and retail in November 2016, with business expectations being on a positive track.
- The stable even though slow, decrease of the unemployment rate (23,1% in September 2016, from 23,3% of the previous month and 24,7% in September 2015). It is noted that the increase of the number of the registered unemployed by 12,3 thousand in October 2016, over 8,4 thousand who had been added in October 2015, is relevant to the end of the tourist period and the great number of recruitments made primarily by hotels and restaurants, the period prior to summer.

Economic Overview

On the other hand, there are still recorded trends which show that economy is still facing difficulties such as:

- The decrease of consumptive trust to -66,9 units in November 2016, after a rise that took place the previous two months, as a result of the deterioration of the consumers' predictions regarding their economic situation and the country's situation as a whole the next 12 month period, apparently influenced by the impending over-taxation in 2017 and the new measures which are about to be implemented for the second assessment of the program.
- The deterioration of the entrepreneurial expectations in industry in November 2016, with the predictions about the production levels, the new orders and exportations slightly falling and the predictions regarding the employment progression being less promising. At the same time the PMI index in processing was formed to 48,3 units from 48,6 units the previous month, showing a relevant image regarding the production levels and new orders whereas the variation of job vacancies remained on positive track.
- The triple cost of businesses lending in comparison to the European average and the non-performing bank loans of ~107 billion.

Apart from the above issues, the country is implementing a strict fiscal policy which according to the Eurogroup's decision of the 5/12/2016 will be preserved even after 2018, creating concerns in the market for further increase of the over-taxation and attenuation of the developing dynamic which is formed. Definitely the achievement of the program's targets is necessary for the restoration of the credibility of the economic policy.

Conclusion

The austerity measures implementation process that Greece adopted since the signature of the first Memorandum is highly demanding. Having achieved a considerable decrease of the General Government Spending to 55.7 billion euros from 2008 till now (-30%) on one hand and an impressive shrinkage of the General Government Balance to 4.6% of GDP (from 15.4% in 2008) on the other hand, Greece still faces problems however, since GDP (175.6 billion euros) is consistently shrinking.

Thessaloniki Property Market

One of the major projects in Thessaloniki is the new building that will include all the services of the Region of Central Macedonia and it was delivered in December 2016. The transfer of all the services of the Region of Central Macedonia (which include 750 employees) and the regional governor's office (Mr. Apostolos Tzitzikostas), will be completed in the first half of 2017. A substantial reduction in costs will be achieved due to the relocation as the services will be gathered in private buildings.

Athoniki Techniki has constructed the building and it is a development that combines new construction elements in the listed buildings of the old gasworks factory while its design is based on the principles of bioclimatic architecture and green development.

On the ground floor of the complex 50 commercial stores have been developed from 50 to 180 sqm with the possibility of reunification if necessary. In the basement there are utility rooms, while a closed underground 24hour parking will operate. The name of the development is **PERIFEREIA CENTER**. Meanwhile DANOS made a market research for Athoniki Techniki in order the commercial uses not to be competitive to each other but have a sustainable use.

The development is expected to change the character of the area and create a new trend to Thessaloniki citizens, merchants and consumers.



Building of Region of Central Macedonia

Thessaloniki Property Market

In H2 2016 the competition was completed for the development of the participation rate that HRADF has in **Modiano Market** in Thessaloniki. On October 17, the board of HRADF declared **One Outlet SA** as a preferable investor with total financial offer 1.9 million against the valuation of 1.750 million euro.

The Modiano Market is one of the most historical buildings of Thessaloniki and in particular one of the first buildings constructed with the main building material of reinforced concrete. The Market consists of 144 shops, between 5-30 sqm each, and also two kiosks. In the portions at the end of the floor are formed internal balconies which are connected to the towers sited in the four corners of the building.

The Greek State through HRADF holds 43.64% undivided ownership of this historic property, and there are still 59 co-owners.

As HRADF reported with the completion of the competition it is estimated that this is an important step for the restoration and the revitalization of this historic building in order to regain its glory and continue to be a landmark for the city of Thessaloniki.

Regarding the One Salonica S.A. is a company that has already made a significant investment in Thessaloniki and particularly in the west entrance of the city via the outlet mall (ex City Gate).



The architect and engineer Eli Modiano started constructing the building in 1922. The development is situated at the exact spot of the city where it has been destroyed by a huge fire in 1977. The development was made by the architect - archaeologist Ernest Hebrard. Previously, at the current location it was synagogue Talmud Torah. The opening of the market took place in 1930.



Office Sector

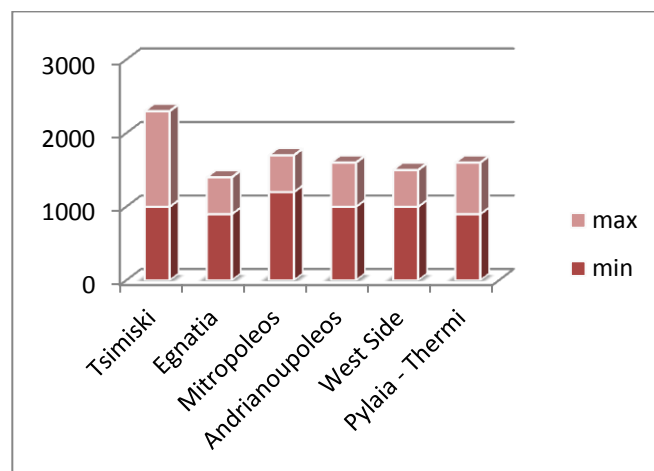
Thessaloniki's office sector is stable during the H2 2016 with small samples of growth in demand.

The increase in demand was mainly for the leasing of office spaces and high quality offices in the city center.

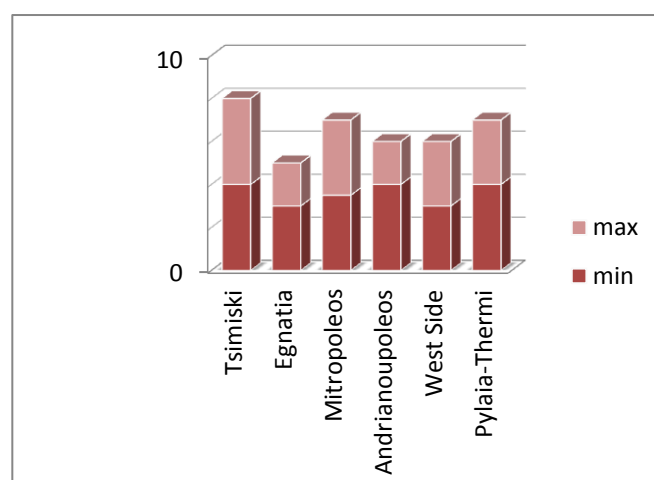
The demand is primarily for surface areas of 100 - 200 square meters, provided that they meet some basic requirements.

There are of course some companies that take advantage of the low values in the market in order to buy offices spaces.

The prime yields for office spaces remained between 8,5 - 9,0%. There is no investment interest for office spaces in Thessaloniki's market, mainly due to the poor quality of the properties, while few international companies operate in the city and attract investor's interest.



Prime Office Sales €/ sqm



Prime office Rents €/sqm

Market trends	
Rents	→
Yields	→
Vacancy Rate	→
Absorption	→

Retail Market

Thessaloniki retail market showed signs of recovery mainly after the H2 of 2015 mostly in the streets of high demand.

During 2016 this trend continued and brought a slight increase in rents in Tsimiski street.

However, during H1 2016 stopped its operation Electroniki Athinon one of the leading greek companies in the field of electrical items so the store that the leased in Tsimiski street now it is leased by children's clothing company.

The availability of vacant stores in Tsimiski is too low and the absorption rate increased. The shops are closed for less than six months. During the second half of 2016 two new chains for the city started its operation in Tsimiski street.

In particular, Happy Sizes fashion brand, opened its third shop in one of the most central corners (Tsimiski and Ag. Sofias).

Also, English Home started its operation in Tsimiski Street. The homeware Turkish chain three years ago entered the greek market and in September of 2014 opened its first store in Kolonaki. Currently, it has 15 branches all over Greece, most of them in Athens, with presence also in Larisa, Volos, Alexandroupoli, Xanthi and Patra.

Finally, Prince Oliver, rented the former Luis Vuitton store which was in Koromila str., in a spot well known for the international fashion brands.



Happy Sizes, Tsimiski



English Home, Tsimiski

Retail Market

The stores included in shopping centers and retail parks in Thessaloniki are characterized by a successful progress.

One Salonica outlet mall on the west entrance of the city, has closed its first year of operation and shows its unique course thanks to the successful tenant mix and the events.

As for the local markets they have been reduced only in the main streets of the city where the rents remain stable.

Finally, it is certain, that the character of the west side in particular of 26th October is going to change with the opening of Perifereia Center, the commercial development as mentioned above will be hosted in the building of the Region of Central Macedonia.

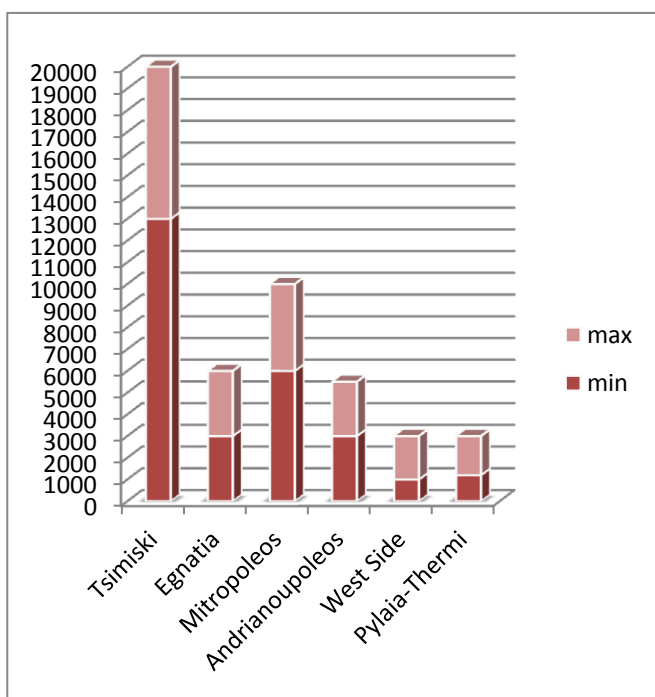
Egnatia Avenue has been weakened by the subway construction and the rents of the shops remain low.



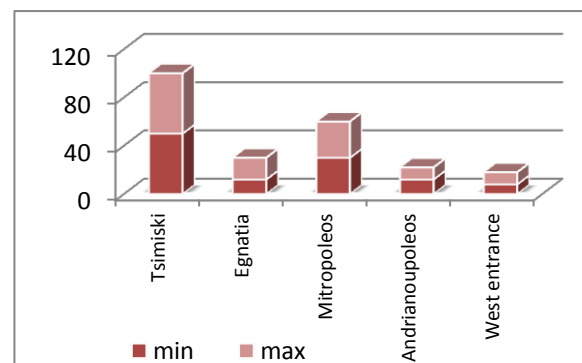
Prince Oliver, Proksenou Koromila



One Salonica



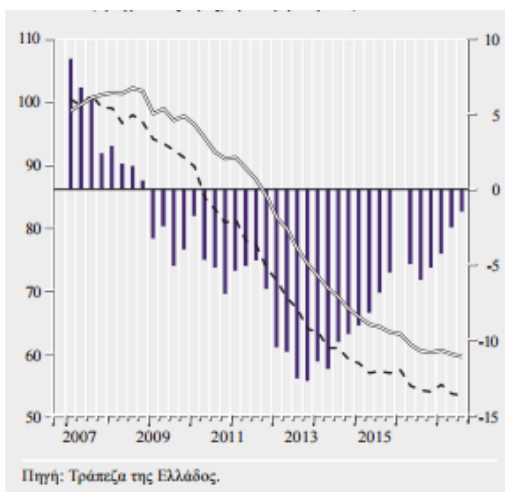
Shop sale values - Thessaloniki €/ month



Shop rent values - Thessaloniki €/ month

Residential Market

According to the research of Bank of Greece the house prices dropped even more during 2016. Specifically according to the greek banks the 3rd semester of 2016 the house prices reduced by 1,5% compared with the same semester of 2015, in comparison to the price reduction of 6% in the same semester of 2015 (for 2015 the price reduction rate was 5,1%). In conclusion, the house prices have reduced by 41,7% from 2008 up to 3rd semester of 2016. Athens and Thessaloniki are the first two cities with the biggest reduction -43,8% and -45,6%). Lastly older and bigger than average assets have lowered their asking prices in the most hiend spots of Athens and Thessaloniki.



According to the Ministry of Interior, until 30.11.2016, greek government had provided **1486 visas** to investors, outside European Union, who bought greek properties, through the project of visas for foreigners. Specifically China got 628 visas, Russia 343, Egypt 68 and Lebanon 66.

The first countries that have provided visas if included and the visas that have been given to relatives of investors is China with 1.463 visas, Russia 776, Iraq 208 and Lebanon with 180.



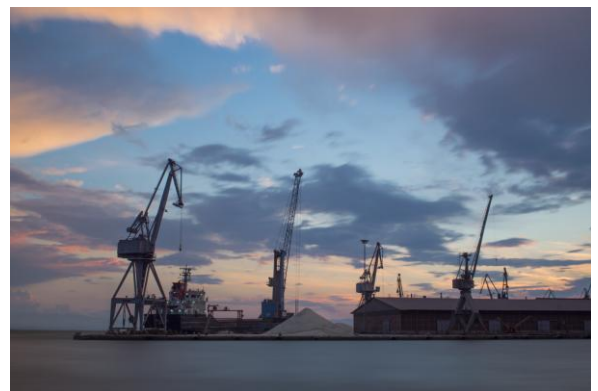
Logistics & Industrial Market

The Greek state portfolio contains twelve (12) ports in the form of Societe Anonyme, namely the ports of Piraeus (OLP), Thessaloniki (OLTH), Volos, Rafina, Igoumenitsa, Patras, Alexandroupoli, Heraklion, Elefsina, Lavrio, Corfu and Kavala.

HRADF is the stockholder of 74% of OLP and OLTH shares (both listed on the Athens Stock Exchange). The Greek Government is in process of evaluation of the exploitation of the ports portfolio. According to the final draft that has been posted on VDR, the preferred investor is obliged to invest 180 million euros, the majority of which will be directed to the development of pier 6 of the port.

The privatization of the Thessaloniki port, which was expected to be completed in H2 2016 it will be concluded in 24 March 2017, of the airport and of TRAINOSE, would aim to create synergies that will upgrade the location of Thessaloniki and Northern Greece and develop combined transport that will bring a better communication and contact with the rest of Europe.

By this logic, it is expected that the sector of Logistics and industry will flourish again as the position of Thessaloniki is unique.



Hotel - Tourism

The tourism industry is going very well in our country while new hotels chains have started their operation.

The chains that have started their operation are:

Thassos Grand Resort, which according to press reports is the biggest modern hotel of the island while as it has 173 rooms, 4 outdoor pools, spa, two restaurants and two bars. The hotel, located in the bay of Saint John Loukas, is an investment of 15 million euros by the businessman Loukan Loukanof which is from Boulgaria and operates mainly in the cosmetic industry.

In late May, the 5* hotel **Miraggio Thermal Spa Resort** in Chalkidiki started its operation. It is about an investment 120 million euros that company Med Sea Health has made, by the businessman Andrea Ragoti. Its construction started in 2017 and was concluded with the construction of the marina which has the largest pier (110 meters) in Greece. It is a project which the company finished in association with the Aristotle University.

Hydrama Grand Hotel, the historical warehouses Spirer at the center of Drama, has been transformed into a luxury hotel with 9 suites and 64 rooms. This investment was made in 2004 by the businessman Manolis Ledakis who is from Chania.



Thassos Grand Resort.



Miraggio Thermal Spa Resort



Hydrama Grand Hotel



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