



THESSALONIKI PROPERTY MARKET

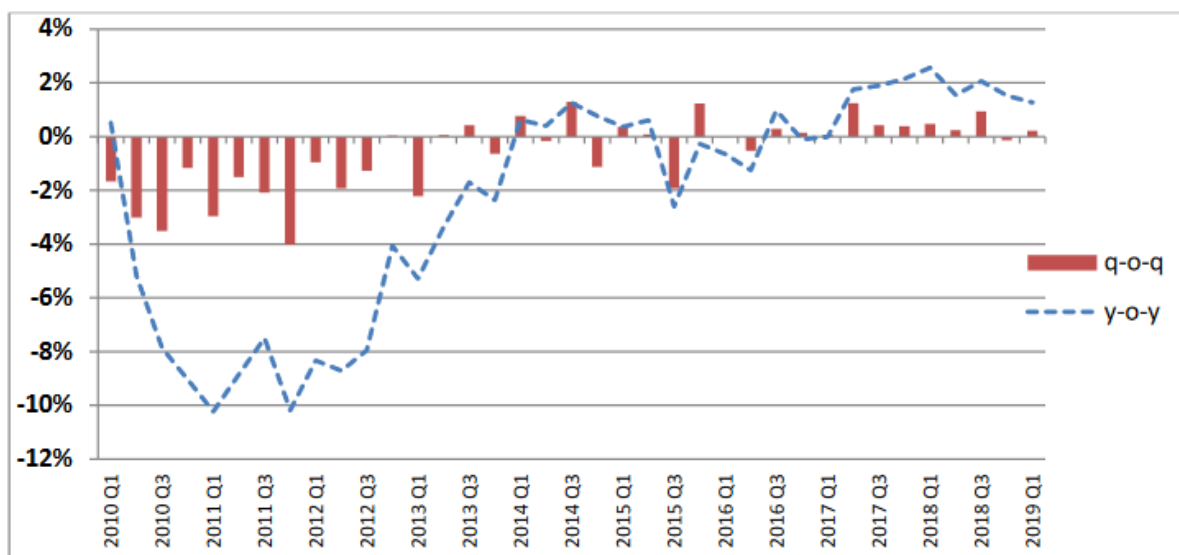
1st Semester 2019



Economic Overview

The data from the Greek Statistical Authority (ELSTAT) indicate that in the 1st quarter of 2019 the Gross Domestic Product (GDP) in volume terms 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 IN VOLUME TERMS 2010-2019(Q1)



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.

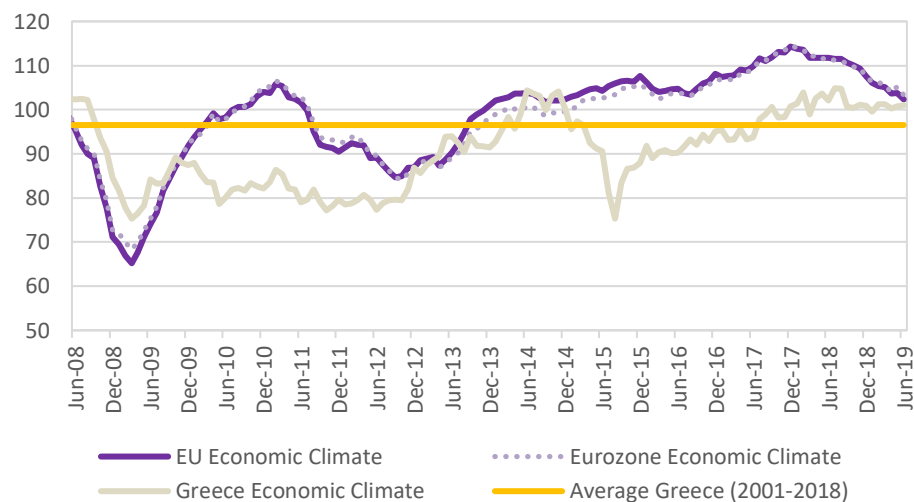
More broadly, there is no significant momentum in some segments of economic activity, in previous years in tourism and exports. After all, the international environment worsened in the second half, under the effects of the announced completion of the expansion of the quantitative easing program by the 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.

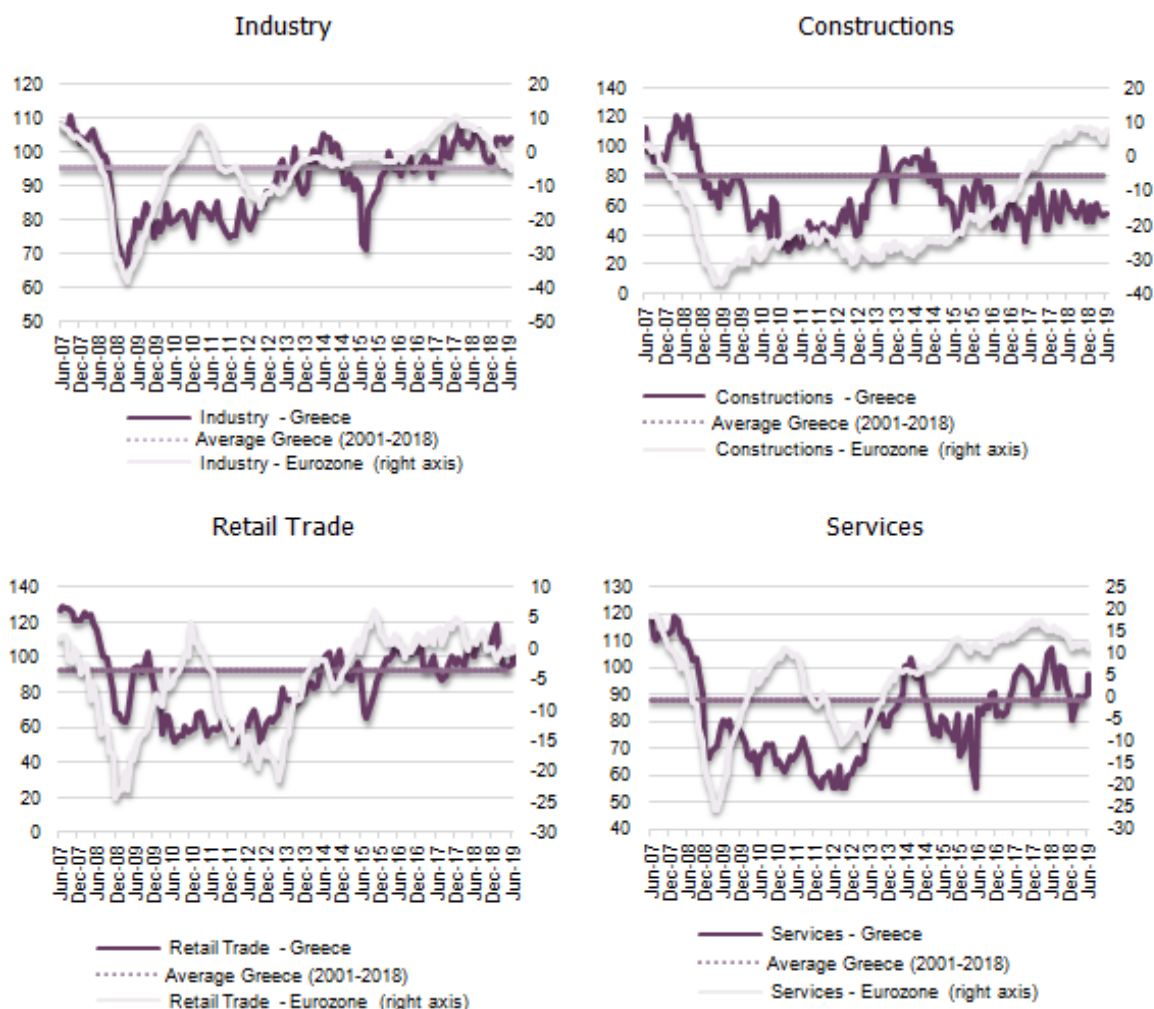
Chart: Economic Indicator Climate: EU-27, Eurozone and Greece, (1990-2017 = 100, seasonally adjusted figures)



Source: IOBE, European Commission, DG ECFIN

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.

Chart: 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 (% GDP)	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

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

In the real estate business, there is a growing demand from users for offices, commerce and the supply chain. Rental prices for prime real estate are moving steadily and yields are starting to squeeze.

As for the high standard office sector, there is a shortage of available space to meet the existing demand of companies to find quality spaces to house their business. 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 in the first half of 2019 increased by 2.5% compared to the previous year. Overall, the office sector is expected to remain in the investment landscape this year. As a result of increased competitiveness and lack of quality product, returns are expected to be depressed by the end of the year, while rental prices for prime locations are expected to rise.

As for stores, according to DANOS data, leases in the first half of 2019 decreased by -0.2% compared to the previous year. However, in prime commercial locations, rental prices are stable up to a small increase.

NATIONAL ELECTIONS 2019

ND is the major winner of the election and Kyriakos Mitsotakis the new prime minister. The ND managed to win the elections, and even with confidence.

Almost all the county areas are blue, which means that it won the ND while the ones that came out of SYRIZA are: Second West Attica, Achaia, Xanthi, Chania, Rethymnon and Heraklion.

Thessaloniki Real Estate

The increase in demand and the increase in prices refer to specific categories of real estate, which have investment characteristics and attract Greeks and foreign investors.

Tourist sector also appears to be attracting investment funds, in Thessaloniki and Halkidiki and in similar tourist areas of Northern Greece.

Domestic demand for the first home market is also up. The decisive factor for the increase in this demand is the possibility of financing new mortgage loans as well as the increase in rents that has been recorded in recent years and is expected to continue.

Real estate prices and the asking rents are on the rise as there is a boost from short-term leases. The short-term rental sector in the center of Thessaloniki and in attractive areas in Halkidiki continues to reinforce the investment character of the residential real estate market.

The center of Thessaloniki continues to attract leasing and investment interest in both commercial and residential real estate.

Positive prospects are foreseen for the Thessaloniki real estate market with interest from foreign investors mainly coming from Israel, Turkey and Serbia.

The investors are mainly interested for properties that provide relative autonomy (whole floor purchase or autonomous building purchase) of 300 sqm - 1,000 sqm. The areas of interest are the wider center of Thessaloniki (e.g. Valaoritou, Egnatia, Ladadika), but also in the area next to One Salonica, at the west entrance of the city.



Thessaloniki Real Estate

Recently, with the deterioration of urban transport in Thessaloniki due to the many problems in OASTH public service, Thessaloniki residents are looking forward for the completion of the Metro. According to the original contract, in 2006, it was due to be delivered in October 2012. Thus, all the people who live in Thessaloniki expect Metro to start operating as soon as possible.

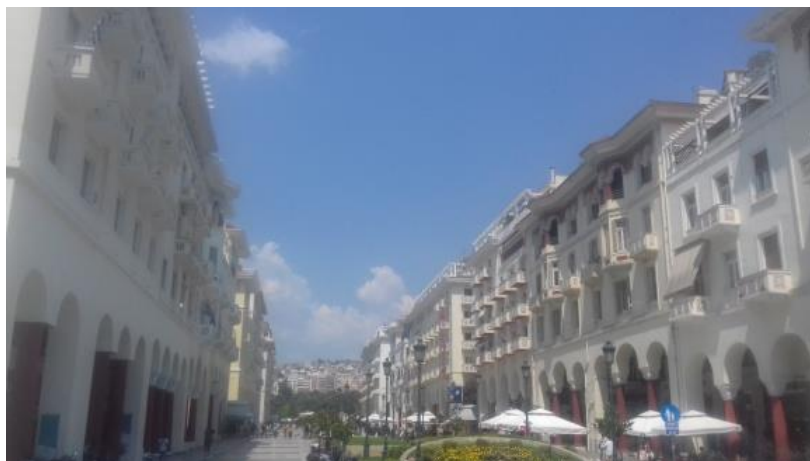
The commencement of the operation of METRO will contribute to the increase in the prices of real estate properties which are close the stations.

According to the new timetable, the subway will be operational by the end of 2020. Underground tunnels have already been opened and more than 95% of civil engineering works have already been completed. The first integrated construction station is the Sintrivani / Ekthesi. From the conventional works to the drainage, fire extinguishing networks of cable grates and ventilation ducts, the basic routing has been completed and a large part of the equipment cables have been installed.

The plan for the extension to the airport, as well as the extension to the west side of Thessaloniki, with an 11km circular route, is particularly important.

Within the next days, the Agia Sophia pavement is expected to start from Tsimiski to Niki Avenue. Final approval by the Court of Auditors is expected and the contract with the contractor will be immediately signed so that sidewalk work can begin during the summer.

In addition to the Agia Sophia pavement and the Fanariotes Square, which is being donated by the Stavros Niarchos Foundation, work is expected to be completed in October - Eleftherias Square will also be delivered in 2020.



Office Sector

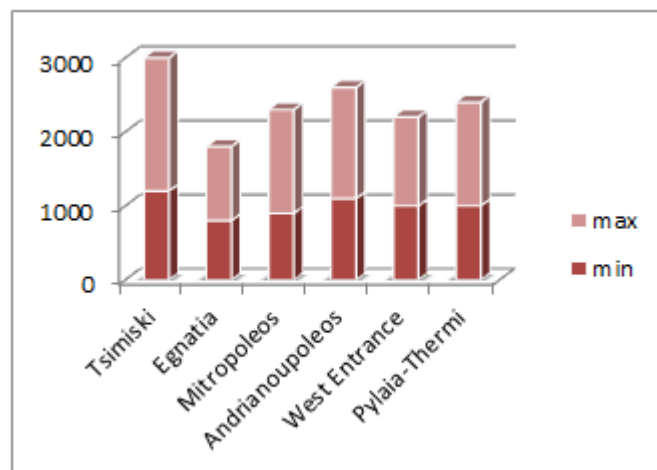
The Thessaloniki office market is experiencing strong mobility, as demand has in many cases now exceeded supply, especially when the properties are located to the city center of Thessaloniki.

The absence of construction activity, coupled with the shrinkage of many companies in smaller spaces, means that at this stage the demand for either relocation or first-time office space of modern specifications cannot be met.

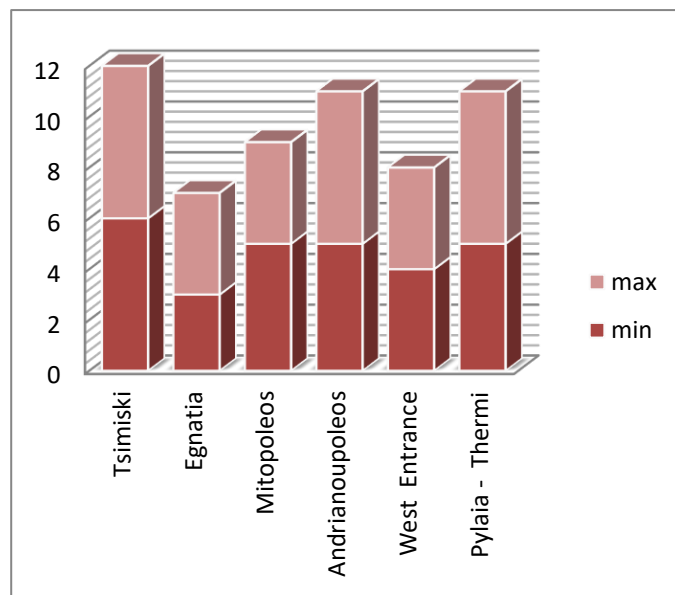
The center of Thessaloniki, which has maintained the highest interest rate over the years, is gradually increasing its rental values. However, the shortage of quality offices in the center also drives the corresponding rents in eastern and western Thessaloniki.

So the key features in the Thessaloniki office market are:

- The center remains first in the preference of companies and professionals who work in the city.
- East Thessaloniki is next in demand for purchase or lease. The next option is October 26th which is located on the West side and includes modern office buildings.
- In the center the rental rates range from € 6-12 / sqm / month for good quality offices, located on streets such as Tsimiski, Aristotelous, while the essential factors for the exact price are the surface area and the benefits.
- For the areas of the city center which have low interest, the rents range from € 4-7 / sqm / month.
- In eastern Thessaloniki, the highest demand is for buildings located within the urban area and specifically along Andrianoupoleos, followed by buildings in the Mediterranean Cosmos area, with rentals ranging between € 5-8 / sqm
- In western Thessaloniki the corresponding rentals on the buildings on October 26th around the newly built building of the Region of Central Macedonia, range from € 4 - 7 / sqm.



Prime Office Sales €/ sqm



Prime office Rents €/sqm

Market Trends	
Rents	↑
Yields	↓
Vacancy Rate	↓
Absorption	↑

Source: Danos An Alliance member of BNP PARIBAS REAL ESTATE

Retail Market

Leasing a shop in Tsimiski continues to be an important goal for both domestic business groups and many multinationals as well.

During the first half of 2019, relocations and new leases of shops were observed on Tsimiski Street. The favorite sportswear company Adidas, in addition to the stores which has in the 2 Outlets of Thessaloniki recently opened a new store in the city center. The shop is located in the corner of Tsimiski and Carolou Dil.

Since the new department store of Pull & Bear has opened in Tsimiski, Tezenis company will be the new tenant for the shop in Tsimiski – next to iktinou (the previous tenant was Pull & Bear).

Mango is also pursuing a dynamic relocation to its new store at the corner of Tsimiski & Komnion Streets. In that shop Cook Shop Company used to operate, but now relocated to the Mitropoleos street.

The growth of companies active in the shoe trade sector continues in Tsimiski. Thus, Morena Spain is located at Tsimiski at number 92 with the new store that started operating at the end of the semester. That move is another step the "attack" which has been done the last year by footwear companies, as Nak, Scetchers and Tamaris which operate their stores on Thessaloniki's central avenue.

Finally, regarding the "new arrivals" of companies on Tsimiski Street we should mention the shop that operates the company ANEMOS which is located near to Kouskoura Street and the expansion of the Calzedonia group with the new store that will open soon to Tsimiski no. 70.



Tsimiski



Tsimiski



Tsimiski

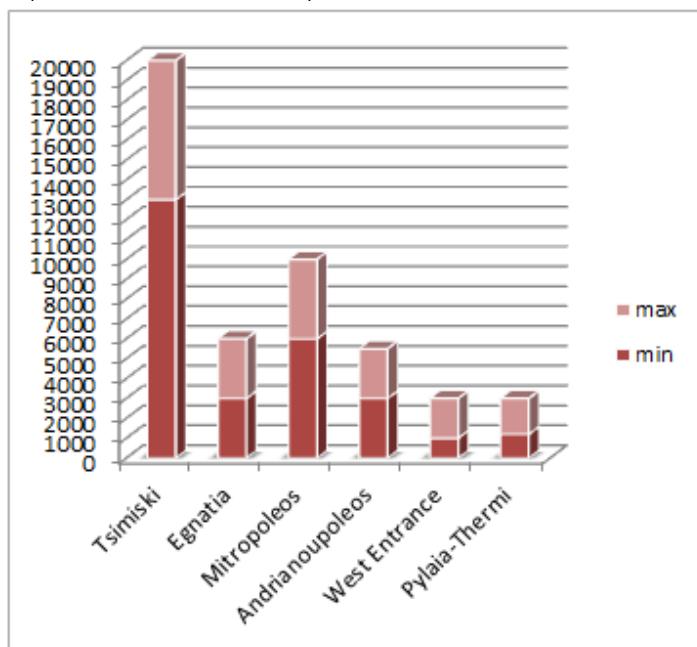
Retail Market

In contrast to the increased interest for shops on Tsimiski Street, available for rent, there is no interest shops which are located in secondary roads in these cases there is a high percentage of vacant stores.

The “key money” is now being claimed by more and more owners of the shops located in Tsimiski street. Although in many cases the potential tenants are unwilling to pay that amount, as they consider that the current financial situation does not justify the existence of “key money”.

Next year, activity is expected to grow in the western part of Thessaloniki in the area of One Salonica. The Holocaust Museum is an attraction and interest for buying and renting property is already high in the area. However, in many cases the prices offered for the specific properties are very low. Thus, in this case there is no deal.

Shop Sale values - Thessaloniki €/sqm

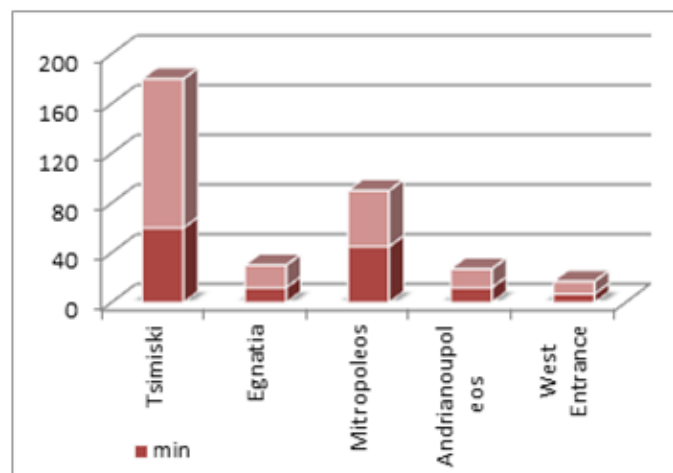


Market Trends	
Rents	↑
Yields	↓
Vacancy Rate	↓
Absorption	↑

Source: Danos An Alliance member of BNP PARIBAS REAL ESTATE

The yields of the stores in Tsimiski range from 5-5.5%, while for the secondary markets of the center the yield is 7.0-7.5%

Shop rent values - Thessaloniki €/sqm



Residential Market

According to the Bank of Greece survey, the housing price fluctuations in Thessaloniki and Greece in general are shown in the table below. From the analysis of these figures, it appears that for Thessaloniki, apartment prices increased in the first quarter of 2019, compared to the corresponding quarter of 2018.

Following the same survey, according to regional data, in the first quarter of 2019, apartment prices are estimated to have increased by 5.8% year-on-year in Athens, 3.9% in Thessaloniki, 1.9% in other cities and 2.6% in other areas of Greece. For the whole of 2018, based on revised data, apartment prices increased on average by 2.5%, 1.0%, 0.7% and 0.9%, respectively, in the above-mentioned areas. Finally, as regards all urban areas of the country, in the first quarter of 2019, apartment prices increased by 4.4% year-on-year, whereas for the whole of 2018 the average annual increase was 1.6%, against a drop of 1.1% in 2017.

INDICES OF APARTMENT PRICES ^{(1) (2)}							
	2017	2018 *	2018 *				2019 *
			Q1	Q2*	Q3*	Q4*	Q1*
I. OVERALL							
Price index (2007=100)	59.0	59.9	59.3	59.7	60.1	60.6	61.6
(%) change over previous year	-1.0	1.6	0.5	1.2	2.2	2.6	4.0
II. BY AGE							
1. New (up to 5 years old)							
Price index (2007=100)	60.7	61.8	61.2	61.6	62.0	62.5	63.6
(%) change over previous year	-0.8	1.8	0.7	1.3	2.6	2.7	4.0
2. Old (over 5 years old)							
Price index (2007=100)	57.9	58.8	58.1	58.6	59.0	59.4	60.4
(%) change over previous year	-1.2	1.4	0.3	1.1	1.9	2.5	3.9
III. BY GEOGRAPHICAL AREA							
1. Athens							
Price index (2007=100)	56.2	57.7	56.5	57.3	58.1	58.7	59.8
(%) change over previous year	-1.0	2.5	0.8	1.7	3.4	4.3	5.8
2. Thessaloniki							
Price index (2007=100)	54.5	55.0	54.6	54.8	54.8	55.8	56.8
(%) change over previous year	-1.4	1.0	0.2	0.4	1.3	2.0	3.9
3. Other cities							
Price index (2007=100)	61.6	62.1	61.9	62.1	62.1	62.3	63.1
(%) change over previous year	-1.1	0.7	0.2	1.0	0.9	0.9	1.9
4. Other areas of Greece							
Price index (2007=100)	64.1	64.7	64.4	64.6	64.7	65.0	66.1
(%) change over previous year	-0.7	0.9	0.2	0.7	1.5	1.3	2.6
5. Urban areas (total)							
Price index (1997=100)	149.6	152.0	149.9	151.4	152.8	153.8	156.4
(%) change over previous year	-1.1	1.6	0.2	1.2	2.2	2.9	4.4

Source: Bank of Greece

Residential Market

In the last six months there has been an increase in the sale prices of apartments located in the center of Thessaloniki, due to the prolonged demand for short-term rentals. Small street apartments - which were of no interest to buyers, in previous years, are now attractive to the potential buyer. Thus, the rents follow a rising trend.

Following the election of Mr. Kyriakos Mitsotakis, measures are expected to be adopted that will particularly stimulate the housing market, which are:

-“Freeze” for a three-year VAT on real estate transfers. Currently, every transfer of newly built property is subject to VAT at a rate of 24%, with the exception of the first residence. According to real estate market executives, the imposition of VAT at this rate is the major disincentive for interested parties to purchase a newly built property.

- Suspend for another three years, for the goodwill tax on real estate transactions.
- Tax deduction equal to 40% -50% of the cost of energy, functional or aesthetic upgrading of buildings.
- 30% decrease in the amount of ENFIA within the next two years.

The above measures, including the freezing of VAT and the reduction of ENFIA, in conjunction with the restart of banks, are expected to be the driving force in the housing market.

In the area of Halkidiki, there is interest, mainly from foreign clients (Serbs and Bulgarians) who are looking for investment opportunities. The sector of short-term leases, in Halkidiki, has changed because the large number (constantly increasing) of the supply of accommodation has led to a reduction in the requested rentals - especially in those cases where the accommodation has not a vip target-group. The extreme weather, in Halkidiki, this year forced many tourists to leave go, as there was no water and electricity in many areas. That fact contributed to the cancellation of reservations.



Hotel - Tourism

Tourism continues to be the "heavy" industry of our country. Thessaloniki is an investment destination for companies active in the hotel sector. A new five-star hotel will open in the center of Thessaloniki on Vas Street. Heraklion no. 45. These are the properties owned by Domotechniki - sold at a price of € 6.6 million. The new owner leased them for twenty years.

Thus, Spanos Group's Ledra Hotels & Villas will open its first five-star hotel in Thessaloniki, with a capacity of 100 rooms. Mr. Spanos has a very strong presence in Crete with Domes of Elounda and Domes Noruz Chania, as well as other investments. The hotel is currently undergoing construction work by Environmental Engineer and is expected to open by the end of 2020.

According to tourism market professionals, the more high quality hotels Thessaloniki acquires, the more attractive it will become to tourists whose demands are increasing.

Interest in buying hotels in Halkidiki remains high, but potential buyers are looking for "investment opportunities" at a time when sellers believe property prices will go up. An important disadvantage in this sector is the short duration of the tourist season of Halkidiki.

Demand is mainly concentrated on hotels that are in operation, and there is no particular interest in purchasing hotels that have been closed in recent years, as well as purchasing plots suitable for the development of hotel units.

In the area of Halkidiki, the sale of the Porto Carras Hotel is of particular interest. In January, Techniki Olympiaki announced the sale of the Halkidiki flagship complex.

The building permit to AKTI AGIOU IOANNI DEVELOPMENT AND TOURIST SA has been provided by the Department of Architecture - Building Regulations and Licensing of the Ministry of Energy for the construction of the new 5 - star hotel complex, with two and three - storey buildings, with several swimming pools on the beach of Agios Ioannis Nikitiis. This project will contribute to the tourism development the area.

This hotel is a part of a larger 50 million euro investment plan which will be implemented by Mendekidis Construction Group. The construction has already begun in the area of Ai-Giannis of Sithonia.

In this area, a tourist complex will be created that will include a luxury hotel with a capacity of 200 rooms as well as 120 holiday homes. The hotel will operate in approximately 2 years.



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