



THESSALONIKI PROPERTY MARKET

2nd Semester 2014



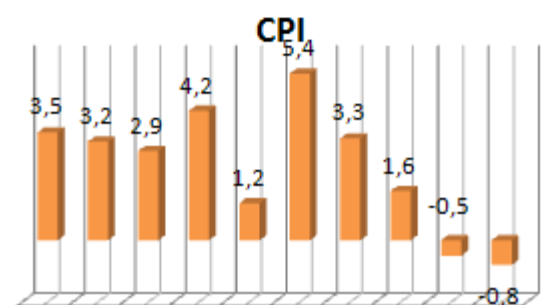
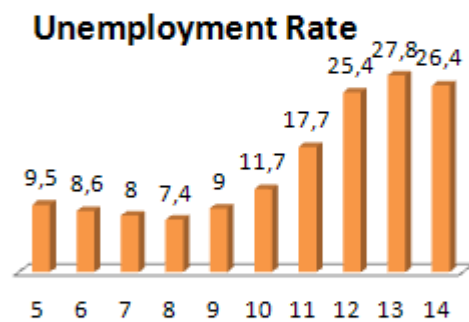
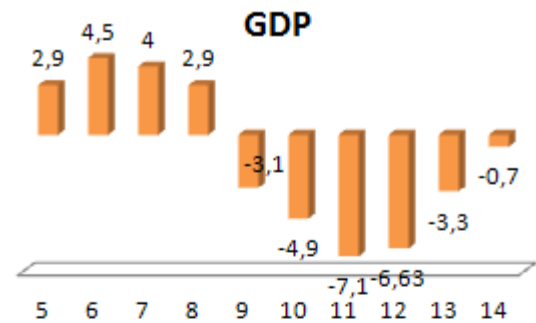
1. Economic Overview & Indices

The substantial progress that Greece has made during 2013 and 2014 has been evident with the return of the Greek state and systemic banks to the international markets in 2014, as well as the successful completion of stress tests conducted by the ECB. The EU contribution in the funding for Greece's second program run out at the end of 2014, while IMF's funding continues until the end of the first quarter of 2016.

Additionally, on the back of the successful outcome of the stress tests and the new political situation in Greece the government is now in a better position to start negotiations with the Institutions, leading to the disbursement of the next loan installment. Consequently, the recent agreement and extension of the program gives time to Greece to negotiate the form and structure of the future international aid either as a 3rd program or an emergency facility line. This process is still ongoing and any prediction on the form of the outcome is very hard.

Due to the political situation in Q4 of 2014 the positive sign of GDP growth rate for Q3 2014 is not expected to hold, and deflationary pressures remain. Exports are expected to surge in 2015 due to the competitiveness gain and depreciation of the euro.

Overall, Greece's remarkable adjustment in the last four and a half years has led to rebalancing of the economy. This was made possible through fiscal consolidation, mainly by reducing spending and expanding the tax base on a permanent basis. Moreover, substantial productivity-enhancing and employment – increasing structural reforms (especially, in the labor and product markets) were implemented successfully, boosting Greece's international competitiveness, as well as net exports, business and consumer sentiment.



2. Market & Corporate News

Within the next months “ONE SALONICA OUTLET” is going to open its gates, in the West side of Thessaloniki. The property used to operate as CITY GATE shopping mall, but did not have the expected revenues. The new concept will be developed by MARINOPOULOS GROUP, GENERIC ENGINEERING TECHNOLOGIES (GET), FAIS GROUP and NOTOSCOM. It is a totally new concept within the city center with great expectations concerning its operation.

The key figures of the project are the following:

- Almost 30.000 GLA
- 100 shops will be included
- 7 +1 (summer – open) cinemas
- Primary catchment area 1,200,000 citizens
- Secondary catchment are North Greece (Katerini, Veroia, Serres, Moudania, etc.) plus Balkans and all type of tourists visiting Thessaloniki
- Parking places 1,200 (closed) + 400 open spaces
- Very well organized food court will be also included on the 2nd floor

OPAP wants to expand its network within the next 2 years and a new business concept will be developed all over Greece.

During H2 2014 the real estate market trend was stability, as far as the market and rental prices concern.

Also, the banks having successfully passed the stress tests begun to communicate credit expansion programs, which are necessary for the operation of the real estate market. Particularly for residential properties borrowing is the main way for any transaction.

The announcement of Greek elections* that took place on December has affect, in a negative way potential investors (tenants and buyers as well). Thus, most of them have decided to wait, in order to avoid possible unpleasant surprises.

* Elections took place on the 25th of January 2015 -> SYRIZA & AN.EL. are the two parties that form the new government coalition.



One Salonica Outlet Designers Outlet



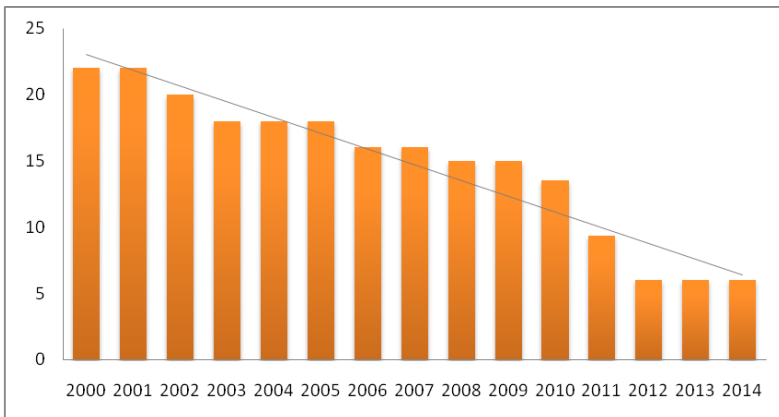
Source: Praktoresopap.com

3. Office Sector

The key features in Office Market during 2014 are:

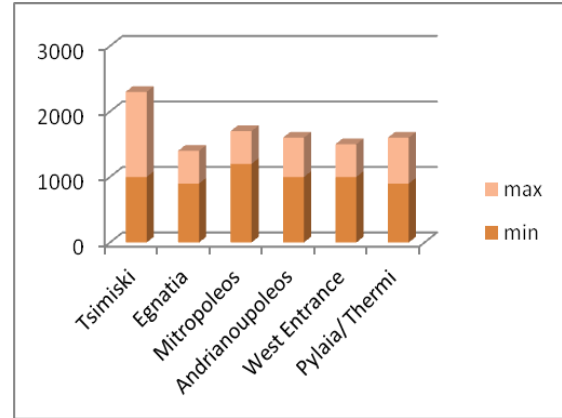
- Limited demand for office spaces.
- Small number of new agreements.
- The main activity remains renegotiation.
- The estimated yield is at 8.5-9.0%, but there is no investment interest for office space in Thessaloniki, mostly due to poor quality of the buildings and to the fact that there is a limited number of well known international companies with attractive lease contracts in town.
- The demand concerns mostly spaces of 100- 200 sq m and it arrives from users.
- Even though the buildings in the eastern side of Thessaloniki – Andrianoupoleos str.– are modern construction, their use is mixed. This fact has a negative influence on the demand, as most of the companies demand to enter into a strictly business building.

OFFICE RENTS



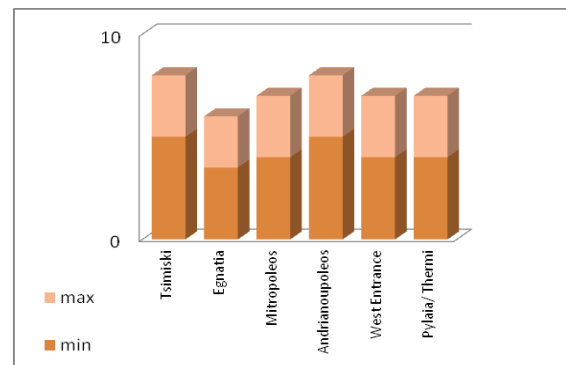
Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

PRIME OFFICE SALES (€/SQM)



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

PRIME OFFICE RENTS (€/SQM/MOUNTH)



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

OFFICE MARKET TRENDS

RENTALS	➔
YIELD	➔
VACANCY RATE	➔
TAKE UP	➔

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

4. Retail Market

On April 2014 the H&M store opened its gates on the junction of Tsimiski and Komnion str. The building occupies an area of approximately 4,000 sq m and it is the first H&M store in town that includes a furniture sector.

Attica Department Stores opened its gates on the most commercial spot of Tsimiski Street. The specific property used to operate for the last 40 years from FOKAS department store.

The total surface of the building is 7,000 sq m and 250 people work in it (50 of them used to work for FOKAS).

It is worth mentioning the following key points of the subject lease:

- Duration of the lease – 12 years
- Monthly rent – €105.000
- Investment in the building ~ €10.000.000
- Estimated yearly turnover – 18.000.000

The building has been totally refurbished and includes 3 floors for women fashion and 3 floors for men fashion.

In general the retail market in Thessaloniki is mostly characterized by stability, as far as the rental values are concerned. At the moment the vacancy rate on the commercial streets of Thessaloniki has been decrease.

The same phenomenon exists in Malls since H2 2014. According to research prepared from the Commercial Institution the visits to Mediterranean Cosmos Mall have been increased by approximately 7%, the turnover of the retail brands is 9% higher. Mediterranean Cosmos includes approximately 200 units (1 super market, 6 big retail units, 11 Cinemas (including 1 summer), very well organized food court and parking.

At the time the vacancy rate of Cosmos is less than the 5% and the demand is high.

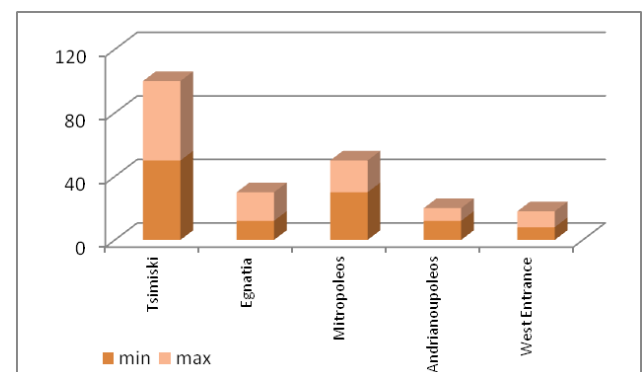


Attica Department Store, Tsimiski Thessaloniki

RETAIL MARKET TRENDS

RENTALS	➔
YIELD	➔
VACANCY RATE	⬇
TAKE UP	⬆

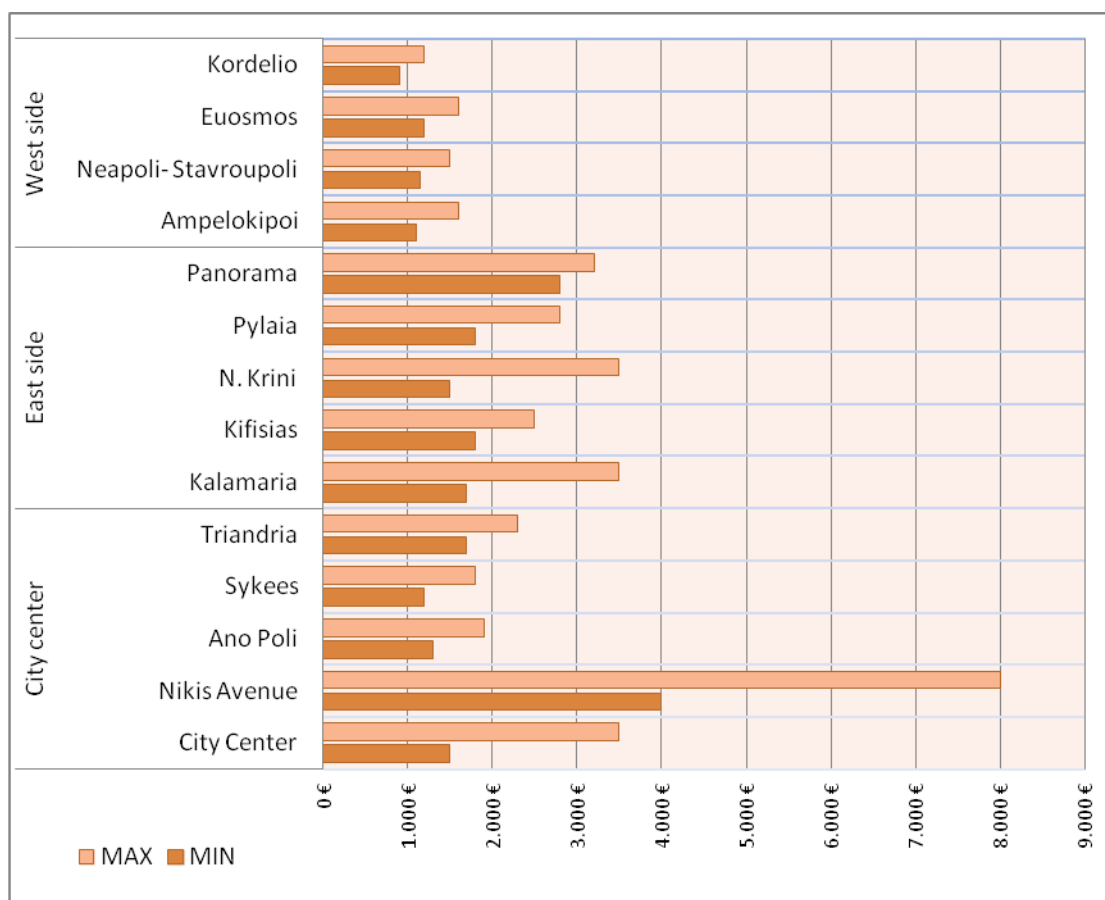
Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE



5. Residential Market

The main characteristic for the residential market during H2 2014 are:

- There are almost 250,000 available properties but the demand is still very low
- The asking prices for the old flats are extremely low, but the potential buyers do not want to invest
- The interest from Russian investors has diminished because of the devaluation of the currency in the specific country.



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

6. Logistics & Industrial Market

In Greece, the logistics industry is estimated at around 10% of GDP, while there are many possibilities for further development of the sector due to its geographical location.

The industrial areas of Thessaloniki present the higher vacancy. Most of the companies stop operating and some of them are moved to other countries.

According to press release of Thessaloniki Port Authority, 2014 was the best year since its foundation. Total revenues of the THESSALONIKI PORT AUTHORITY S.A. during this period of 2014 increased by 4.04% from the corresponding period of 2013, despite the reduction in financial income against 42,52%, due to a significant fall in interest rates and invested assets of the company. At the same time, total expenses decreased compared to 2013 at 5.49%, mainly due to the reduction of fees of staff at 7.58%, due to employee severance for retirement.

MARKET TRENDS	
RENTALS	↓
YIELD	↕
VACANCY RATE	↕
TAKE UP	↓



Thessaloniki's Port

	Old industrial buildings (€/sqm)	New constructions (€/sqm)
Sale price	200-250	300-500
Monthly Rentals	1.00-2.00	1.50-3.00
Yield	11-13%	

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

7. Hotel & Tourism

Halkidiki is one of the most attractive places in Greek, mostly for Russian. On May 2014 a new hotel – Pomegranate Wellness Spa Hotel, opened its gates. The resort is located in Potidea and includes 175 luxury rooms. It is developed from Russian company and operates 12months/ year.

Another significant hotel investment from Cronwell is Resort Sermilia, located in Psakoudia. It includes two restaurants (one of them has a panoramic sea-view), several bars, SPA-center with Jacuzzi and bath complex, an outdoor pool, relaxation area with a library and more. The hotel complex includes 102 rooms.

Finally a Russian investment in a small distance from Possidi, is Med Sea Health και Mare Village. The development is under construction and is expected to be concluded on H2 2016.



Pomegranate Wellness Spa- Potidea



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