



## THESSALONIKI PROPERTY MARKET

1<sup>st</sup> Semester 2013



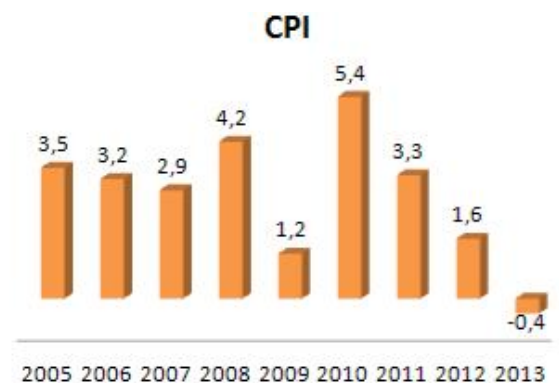
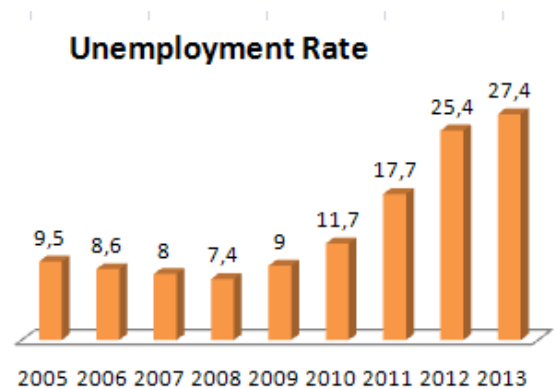
# 1. Economic Overview & Indices

Greece's important steps, have led the Eurogroup's decision to continue the unhindered financing of Greece's three years old adjustment program guided by:

- The successful completion of March-April 2012 PSI plus, which led to a 28.4% of GDP fall, of Greece's general government (GG) debt
- The successful completion of the recapitalization of the four major banks, which increased their liquidity and granted access to interbank lending
- The much better than planned implementation of Greece's 2012 budget and the legislation in November 2012 of new spending cuts and revenue increasing measures exceeding € 15 bn securing the successful implementation of the 2013-2014 budgets as well

With the program of adjustment back on track, with the overall efforts to improve Greece's international competitiveness and the attraction of FDI through its privatization program, Greece will start to recover from the unprecedented 20,1% cumulative GDP decline since 2008, with possible positive growth the Q1 of 2014. *Alpha Bank* stresses that the performance in fiscal consolidation is impressive. Developments such as the declaration of €0.31 deficit instead of €3.61 that was forecasted are in line with projections for a 0.5% of GDP GG primary surplus in 2013.

*Alpha Bank – Economic Research Division  
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## 2. Market & Corporate News

The real estate reforms and measures that were planned since last year are in the final stretch. The new legal framework provides an investment-friendly environment characterized by transparency and less bureaucracy. It also provides additional advantages to potential real estate investors. Significant example is the grant of resident permit to investors outside of Europe who wish to invest more than €250,000.

The Hellenic Republic Asset Development Fund (HRADF) has launched a very ambitious project for the exploitation of the Greek public sector private properties, aiming to generate €25 bn. The scope encompasses more than 70.000 properties of the public sector that are currently managed/owned by public real estate companies (KED, ETA), DEKO and by various Ministries. Properties will be assessed and selected for exploitation on the grounds of general criteria (Free Properties, Urban Properties, Non-urban Properties > 1.000 m<sup>2</sup>) and commercial factors (size, location, basic legal commitments, potential property uses).

According to the above, HRADF announced contents for the exploitation of two properties in Halkidiki, Northern Greece, during H1 2013. The first one is a site of 261 acres in Agios Ioannis, at the Sithonia area. The second property is a site of 211 acres and includes the tourist units of Xenia (3,658 m<sup>2</sup>) and Paliouri Camping Facilities ( 1,128 m<sup>2</sup>). It is situated in Paliouri, at the Kassandra area. Expressions of Interest were submitted on April by seven parties for A. Ioannis and nine for Paliouri. Those parties are from Greece and abroad- mainly Russia.

A new international competition is expected to take place during H2 2013 for a long term (30+ 10 years) lease and upgrade of Macedonia Palace hotel. Until then, in order to continue its operation, IKA made a contest on February 2013 for a short term lease agreement of 12 months and the company "Black & White" of Mr. Ivan Savvidis won it. According to IKA announcement the minimum base rent should be €137,500. Macedonia Palace is a 5\* hotel of 283 rooms.



Agios Ioannis, Sithonia



Paliouri, Kassandra



Macedonia Palace

### 3. Office Sector

A significant re-negotiations activity has been seen during the 2012. Multinational companies, even the ones who have recently signed lease agreements, have initiated a dialogue of rental reduction. In most cases, and thanks to an even tenant friendlier system, tenants have succeeded to secure significant discounts even in the most prime districts.

During H1 2013, the rentals remained stable but low in comparison to 2011. The demand is for office space is from companies searching to relocation.

It is important to mention that there is a decline of 5-10% between the H1 and H2 of 2012. Many office spaces are remaining vacant as there are quite a lot companies that terminate operation. The construction sector is the affected of the crisis as there is no work field. Many companies are searching, or have already start operation in other countries.

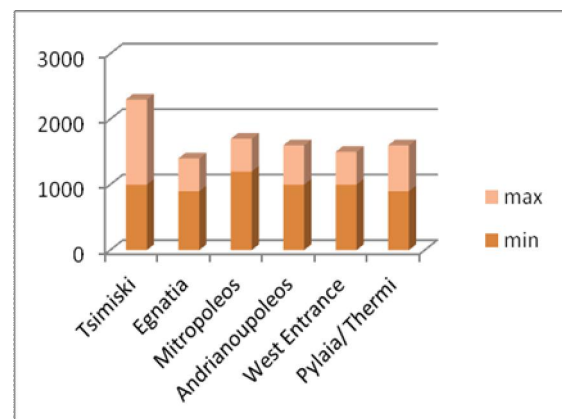
Office market has never been an attractive investment for foreign or Greece investors in Thessaloniki. At the moment the estimated yield is 8.5%- 9.5%, as the risk is high enough because of the economic liquidity.

As far as the sales of office spaces concerns there are few companies or individuals who are searching for opportunities in order to invest their money and save the rentals. The demand is mostly for small office spaces.

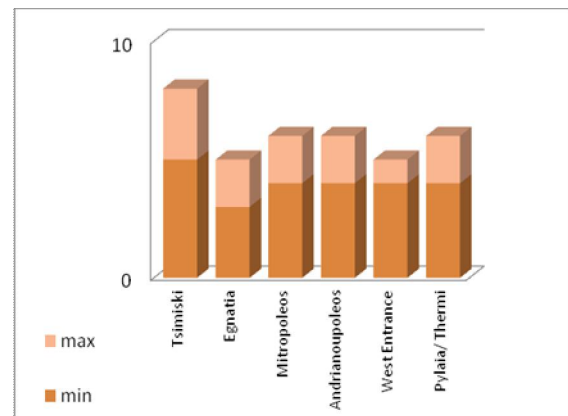


Bank of Greece building- Thessaloniki

PRIME OFFICE SALES (€/SQM)



PRIME OFFICE RENTS (€/SQM/MONTH)



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

OFFICE MARKET TRENDS

RENTALS	→
YIELD	↓
VACANCY RATE	↑
TAKE UP	↓



## 4. Retail Market

During the first semester of 2013, the sector of retail market noticed mobility in Thessaloniki. In the city center the grand opening of Golden – I took place on May. This is the second spot in Thessaloniki (and the third in Greece), as the first one operated in Mediterranean Cosmos.

Also, Makgio opened a new store on the junction of Tsimiski & A. Sofias Str. This spot is one of the most commercial in the city center and was vacant for at least a year. Makgio is a Greek company of retailers of women accessories, bags, shoes, purses, belts, watches with successful presence in Greece and Europe.

There are few large corporations, as Public and Orchestra which are seeking to develop and expand their branches in Greece. Also, Attica department stores is searching Thessaloniki city center to operate its second department store. The operation of the company in Mediterranean cosmos is very successful.

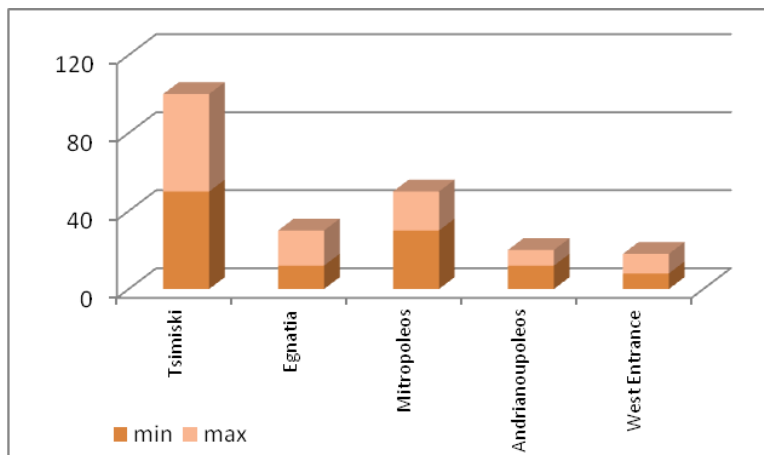
H&M announced the opening of its 27th store in Flamingo Retail Park in Xanthi. Flamingo is anchored by Greece's market leaders in the DIY, Hypermarket, Electronics, Fashion and Childcare sectors, thus serving a catchment clientele that is expanded geographically as well repetitive in visits and results to more than 2 million visitors per annum.



Golden – i, Tsimiski Thessaloniki



Flamingo Retail Park, Xanthi



### RETAIL MARKET TRENDS

RENTALS



YIELD



VACANCY RATE



TAKE UP



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE

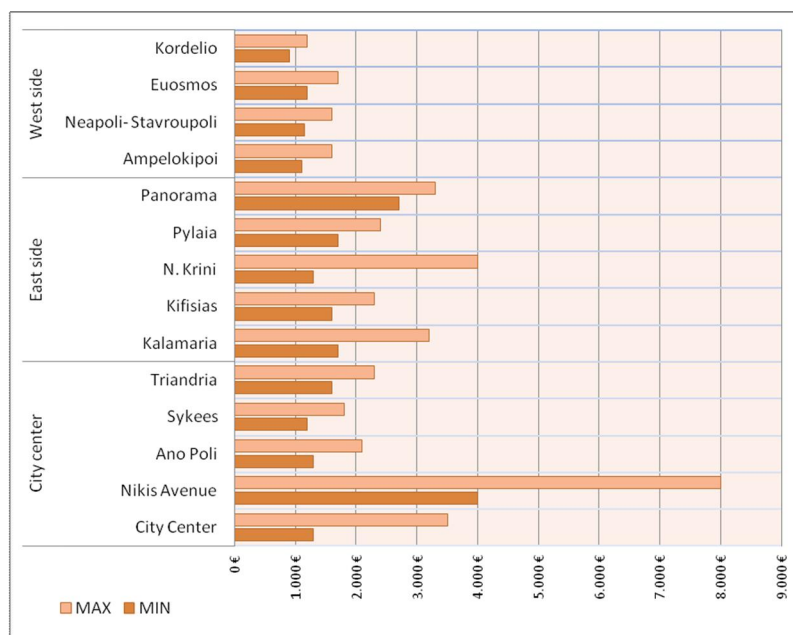
## 5. Residential Market

This residential market presents the bigger decline as far as selling prices concern. Since 2010 the supply was much higher than the demand and that deference is even bigger since the last two years. There are many newly constructed houses for sale mostly in the wider area of the town- western and eastern sides.

The decline is estimated at 40% approximately in some cases. The tax system of Greece is too strong for real estate owners and charged them with new taxes. From the other hand the incomes have been decreased and the owners are now willing to sell their property even at a lower price. Also, until 5 years ago most of the people acquired their residence using a bank loan that they are not in a position to pay.

There is interest from Russian and Chinese investors, who are looking to benefit from visa grants especially for properties in Greek Islands and Halkidiki.

According to the specific location and characteristics of the residence the market values are presented to following table. These prices concerns newly constructed residences and apartments. For the old construction the values are subject to the condition of the property and mostly to the owner's financial needs.



Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE



Nea Paralia- Thessaloniki



Aristotelous Square- Thessaloniki



Eastern Thessaloniki residence

## 6. Logistics & Industrial Market

The Industrial and Logistics Sectors have also slowed down due to the economic conditions during H1 2012. Rental values are fluctuated to 1-3 €/sq m.

Vacancy rates are still increased and yields have been sustained to 11% since last year. Transactions have not taken place due to lack of finance and lack of investors' confidence.

The major demand concerns the lease of already constructed buildings of surface up to €2,000 - €3,000 sq m or the purchase of land plot for development according to the specifications of each company.

Market values are within the range of €600 - €1,000/ sq m. In both cases the prices are correlated with the quality and the infrastructures of the property.

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

	Old industrial buildings	New constructions
Sale price €/sq m	200 - 350	350 - 600
Rentals €/sq m	1,00 – 2,00	1,50 - 3,00
Yields	11%	

Source: DANOS An Alliance Member of BNP PARIBAS REAL ESTATE



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