

CRETE MARKET REPORT

2020 has been characterised as the year of the Covid-19 pandemic. Global markets and economies have struggled throughout with Lockdowns and Restrictions that have blown away all macro economic goals and indicators. 2021 is already seen as the first step to recovery.

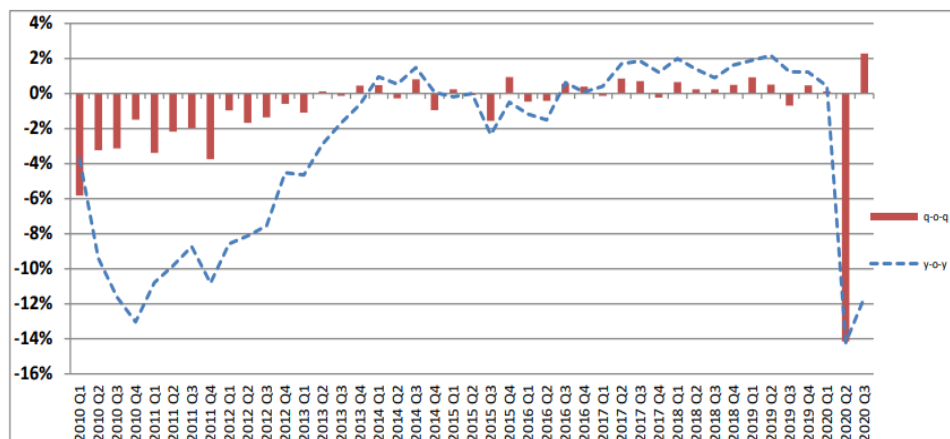
MACRO FIGURES

European and Global figures imply that economic impact of Covid-19 has led the economies to unprecedented economic crisis. Forecasts of 2021 are optimistic and most economists agree that we are headed to a recovery fueled by the massive vaccination programs across the globe.

Greek Economy S2 Overview

Greece had to face the outcomes of a ten year economic crisis that officially came to an end in 2019. Before yet witnessing the increases in macro figures Covid-19 has trashed all hope for positive macro numbers in 2020. Recession in 2020 due to the pandemic has hit Greece hard and the unavoidable lock down measures and restrictions have worn out the Greek economy. In 2020 the fall in GDP was at 10% with the published figures so far. The slow down and shrinking of the economy is evident in all relevant indicators. The economy is expected to bounce back in 2021 and get into even more optimistic numbers by 2022.

GDP in Volume Terms. Seasonally adjusted figures (q-o-q) and (y-o-y)



Source: Elstat

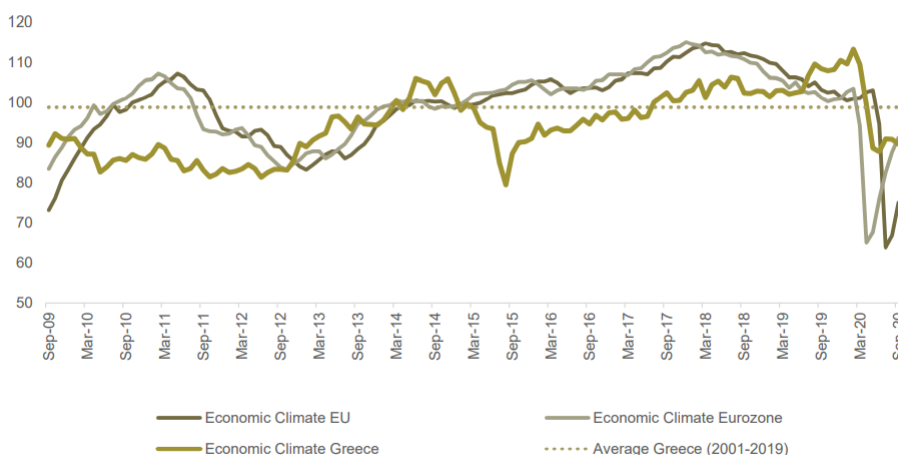
EUROPEAN COMMISSION FORECASTS

ECONOMIC INDICATORS	2019	2020	2021	2022
GDP (%)	1,9	-10	5	3,5
Inflation (%)	0,8	-1,3	0,9	1,3
Unemployment (%)	17,3	18	17,5	16,7
Gvnt Balance Sheet (% GDP)	1,5	-6,9	-6,3	-3,4
Gross Public Debt (% GDP)	180,5	207,2	200,7	194,8

Source: ec.europa.eu

The coronavirus pandemic is taking a strong toll on the Greek economy. The economy contracted by -14.2% in the second quarter of 2020 as economic activity was constrained to stop the spread of the pandemic. The services sector was hit particularly hard also during the summer season due to the importance of international tourism. While the increase in the unemployment rate has been relatively muted so far, partly on account of the protection schemes put in place timely by the authorities, employment has suffered more markedly in view of the lower demand for seasonal workers. The slack in the economy, as well as falling energy prices, are expected to lead to a temporary decrease in consumer prices in 2020.

Economic Climate Index



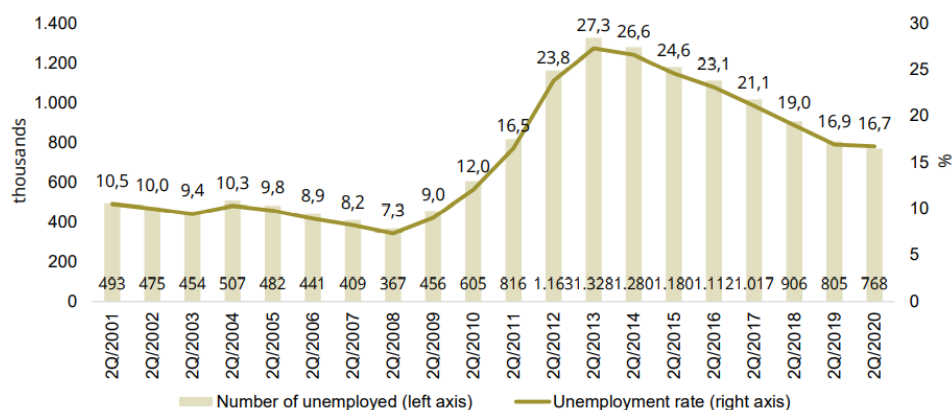
Sources: IOBE, European Commission

On the upside, the support measures adopted at EU level, including Next Generation EU, could significantly support demand in 2021 and strengthen economic fundamentals and resilience going forward. More specifically, the Commission forecast does not incorporate the impact of the Recovery and

Resilience Plan as it is still at an early stage of development.

Once fully specified, adopted and implemented, the reforms and investments implemented under the Plan are expected to have a positive impact on the growth outlook. Greece's fiscal policy is expected to continue to support the recovery throughout 2021. While most of the measures taken in 2020 have targeted the direct impact of the pandemic (health care expenses, support for the lock-down period, tax deferrals etc.), the authorities have also announced temporary measures for 2021 which aim to support the recovery by stimulating demand and employment. Specifically, the authorities have also announced additional temporary measures reducing social security contributions by three percentage points for private sector wage earners and waiving the social solidarity tax for private-sector wage earners and self-employed

Number of unemployed and unemployment rate in Greece



Source: ELSTAT

Employment is negatively affected by the crisis, but the authorities have implemented measures to cushion the decline and to facilitate the recovery. Data on hiring and firing from the ERGANI system shows that between March and June 2020 the labor market remained 'frozen', with very limited hiring and firing taking place.

Uncertainty and risks surrounding the outlook are very high, due to the uncertain developments of the global health crisis. In view of the recent the developments regarding the pandemic and new nationwide lockdown announced on 5 November, economic activity could be significantly impacted in the last quarter of 2020 and in 2021.

OFFICE MARKET REPORT

Tenant release space impact is to be driven by quantum, quality and location as it is believed that the sharpened focus on best-in-class office space is a trend that will transcend the pandemic.

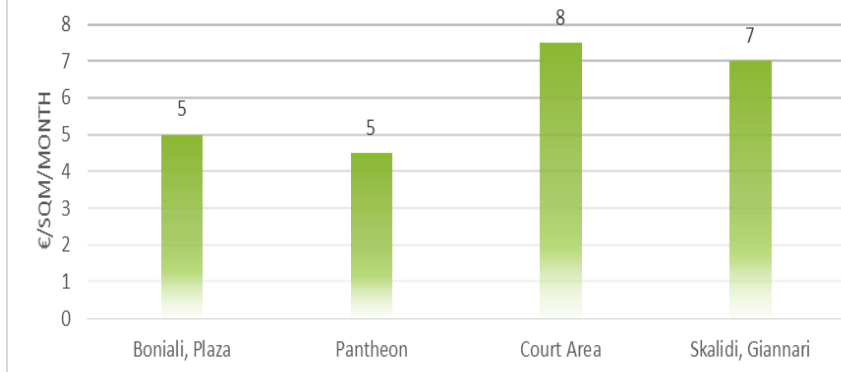
OVERVIEW

The slowdown in activity is best reflected in the fact that Q2 2020 has emerged as the weakest quarter on record for office take-up, with just one-third of the long-term quarterly level of deals being registered. This now means that 2020 has had the most subdued quarters for office leasing.

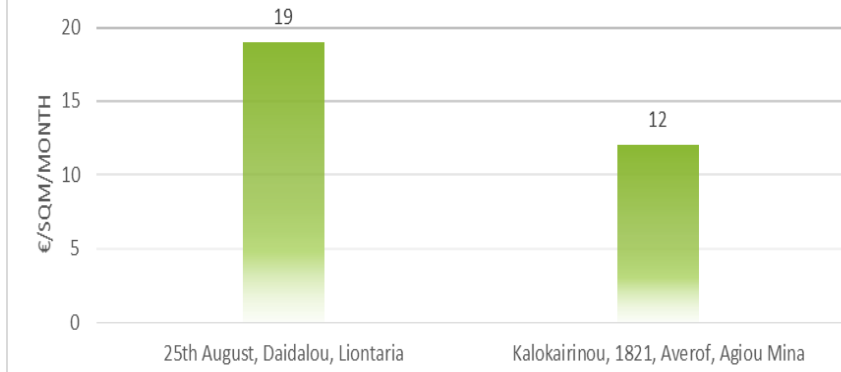
CRETE OFFICE MARKET

The office market is expected to be further affected by the downturn in economic activity but despite the quieter conditions, headline rents for best-class, prime office space have remained relatively resilient for the most of 2020. However, the rapid adaptation of companies to teleworking, as well as the evolution of e-government and the digitization of a series of activities and processes in the public sector, which is taking place recently, may also have a significant impact on demand. In the short term but also in the greater depth of time, it is estimated that the need for spaces per business will be decreasing, providing however, the financial margin for searching for spaces of higher quality and location standards. Therefore, the strongest negative effects are expected on the values of the secondary markets.

MAIN MARKETS AVRG RENT (CHANIA)



MAIN MARKETS AVRG RENT (HERAKLION)



The lack of Grade A office space still remains an issue to the market supply, since there is a lack of quality spaces to meet investor demand. There are new developments that will offer some new Grade A spaces, however, there is still little indication as to what the pandemic's impact will be on the sector. Some analysts believe that remote working is here to stay and furthermore demand for offices will fall, while others believe that demand will rise especially for Grade A spaces that offer sustainability principally for hygienic purposes.

Greek REICs and real estate investors plus foreign private equity funds are looking on the market for properties with prime tenants.

High quality single assets or property portfolios are sought-after, which led to yield contractions especially for properties in prime office locations to around 6%-7%, whereas in secondary locations if the property is leased to a prime tenant yields form to around 8%-8.5%.

Q2: 2020: 40 million Euro deals

finalised by June 2020

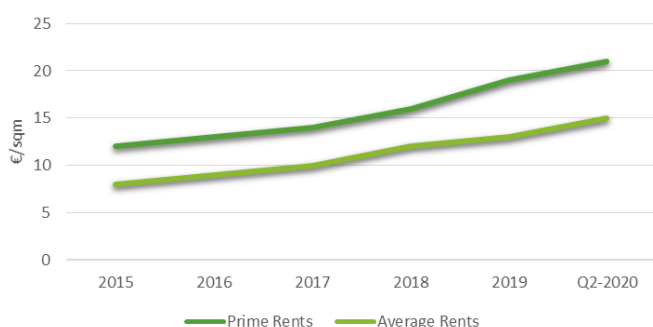


ECONOMIC INDICATORS Q3 2020



Source: European Commission & Elstat

Office Market Rental Values



MARKET TRENDS GRADE A OFFICES

RENTALS



YIELD



VACANCY RATE



ABSORPTION



Although during S2 2020 prime office rents remained stable per sq.m. per month, various properties on the market demonstrate differing rental performance depending on their quality, occupancy and management. Prime rents are likely to remain stable, over the next quarters, sustained always by tenant incentives, while availability for lower quality spaces could increase. Prime yield is likely to remain stable on account of lack of prime product on offer, while a discount on non core opportunities is expected and this is going to further increase the spread between prime and secondary assets.



RETAIL MARKET REPORT

The Retail Sector has been facing a challenge as a result of the Covid-19 pandemic, prime locations and shopping malls have been performing well over the last years and hold investors' interest.

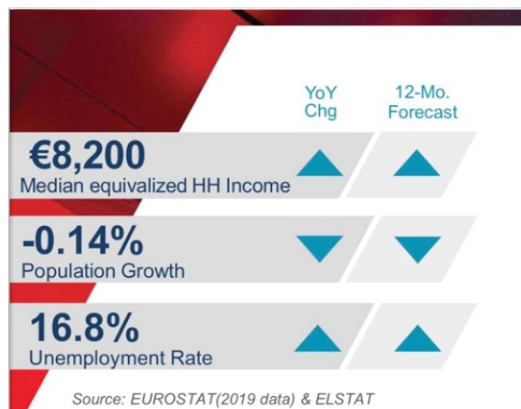
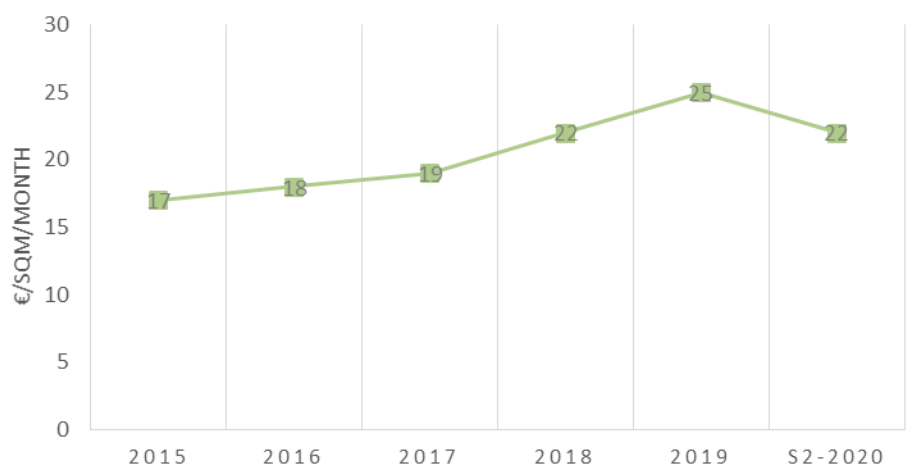
OVERVIEW

The Overall Turnover Index in Retail Trade in August 2020 decreased by 1.4% and increased by 4.5% compared with the corresponding index of July 2020 while the Overall Volume Index in Retail Trade in August 2020, decreased by 1.0% while compared with the corresponding index of July 2020, increased by 5.4%.

CRETE RETAIL MARKET

The forecasts for the Retail Sector at these times are extremely risky. The trade sector in Chania, for example, is also one of the most affected ones and most of the commercial enterprises and small businesses are currently fighting in order to survive. According to the Bank of Greece, commercial real estate is the category that will suffer the largest losses nationwide. At this point, we should clarify that the effect of a rental is a very decisive factor, meaning that a drop in rental income has a direct effect on the value of real estate in this category. The effects are expected to be even worse in this case for the secondary store markets.

AVRG RENTS IN SECONDARY LOCATIONS



ECONOMIC INDICATORS Q3 2020

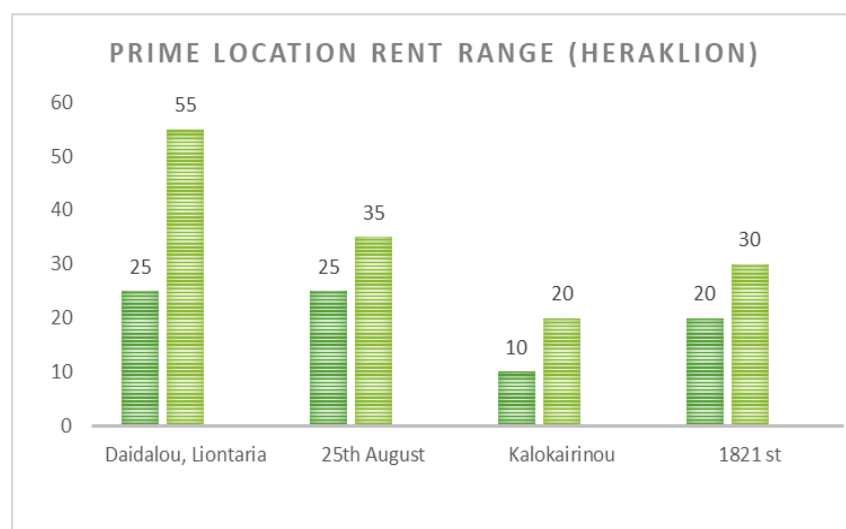
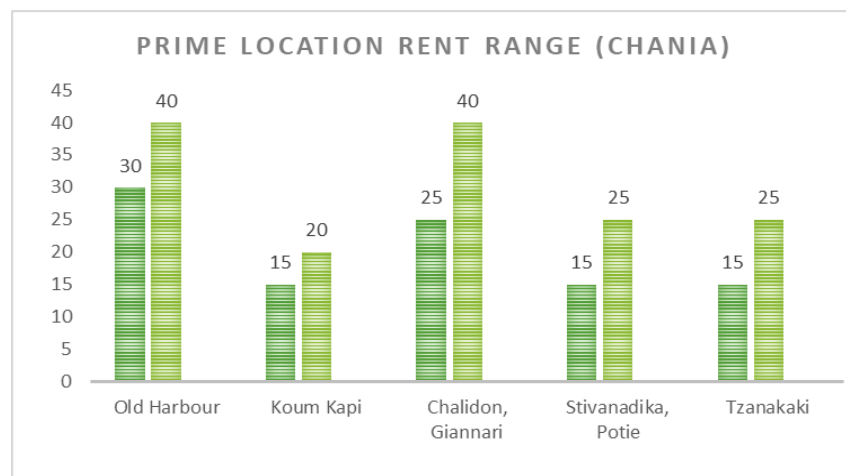


The most commercial area in **Chania** is the Old Port, where rental values vary from 30 - 40 €/sq. m., while in specific small spaces can reach even 50 €/sq. m., with the most commercial roads being Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market), where rental values vary from 25 - 45 €/sq. m.. What Covid-19 has brought into the scenery is many empty stores in the main streets, such as Skalidi. Two years ago, it was impossible to find vacant shop in the central area, like Skalidi, Chatzimixali Giannari or at the square of 1866, but now it has become really hard leasing even the ones that are available.

In **Heraklion**, there is still high interest for small retail stores within the Old Venetian Walls and especially the CBD, but there are also vacant stores, like the old Gap retail store, which is empty since October. The most commercial areas are Daidalou Street, 1866 Street and Lontaria Square, where rental values vary from 25-55 €/sq.m. However, there are a few stores available in Daidalou and in 1866 streets, due to particularly high asking rentals, despite the difficulties arising from Covid-19.

In **Rethymnon**, within the Old Town, rental values vary from 15 – 35 €/sq. m. in Arkadiou Street (↑ prices at the north part) and from 8 – 15 €/sq. m. in secondary streets (Gerakari, Ethnikis Antistaseos).

Finally, in **Lasithi**, commercial activity is found only in the city center and the coastal zones. The relatively small offer for retail stores has led to very high market and rental values in many cases.



MARKET TRENDS PRIMARY RETAILLOCATIONS

RENTALS	➡
YIELD	➡
VACANCY RATE	➡
ABSORPTION	➡

Main yields: The yields in the high streets of Crete (Heraklion and Chania) continued to compress for the second half of 2019, with the higher rates in the central roads of these two areas. However in the first semester of 2020 they show signs of stability since the retail market is challenged and the increased volumes of e-commerce have resulted in a drop in sales. Prime locations so far seem to remain unaffected and in the short term the market will define whether the changes in consumption and retail activity will resume to previous standards.

LOGISTIC MARKET REPORT

Greece has always been the meeting crossroad of three continents (Europe, Asia, Africa), searching for different goods and cultural areas. For this reason, Greece has long been a strategic hub for transport in the wider region and will continue to be even after the Covid-19 pandemic and its impact in the RE market.

OVERVIEW

The logistics sector is increasing its data and attracting the attention of investors. The lack of supply for modern grade A logistics activates the interests of investors seeking to invest in spaces suitable for logistical developments. In terms of demand, there has been significant activity in the market with new leases, with an area for rent ranging between 500-2,000 sq.m. compared to urban areas and demand for larger areas up to 10,000 sq.m. in areas where 3PL companies wish to develop new projects.

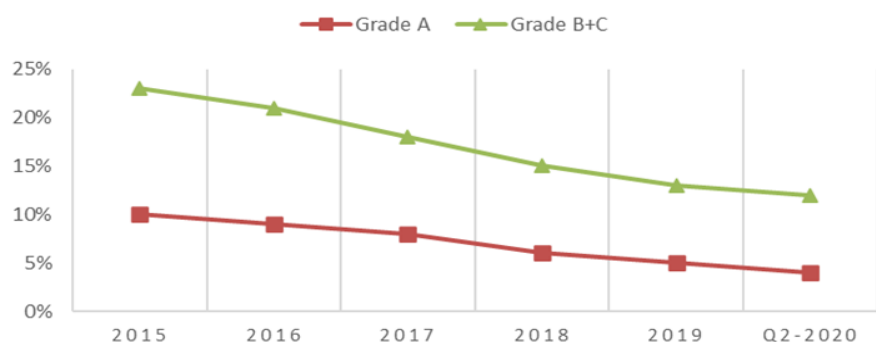
LOGISTICS REAL ESTATE MARKET

The lack of a specialized logistics market was clearly reflected on the e-commerce boom during the lockdown period. In particular, this "explosion" began when the goal of most courier and transport companies focused on developing adequate logistics centers and warehouses of last miles. As for Crete, large storage units can be mainly found in Heraklion and Chania, due to the presence of industrial parks, airports and large commercial ports in these two cities. Rental values vary from 3-6 €/sq. m. in Heraklion and from 2-5 €/sq. m. in Chania.

TAKE UP OF INDUSTRIAL PROPERTIES

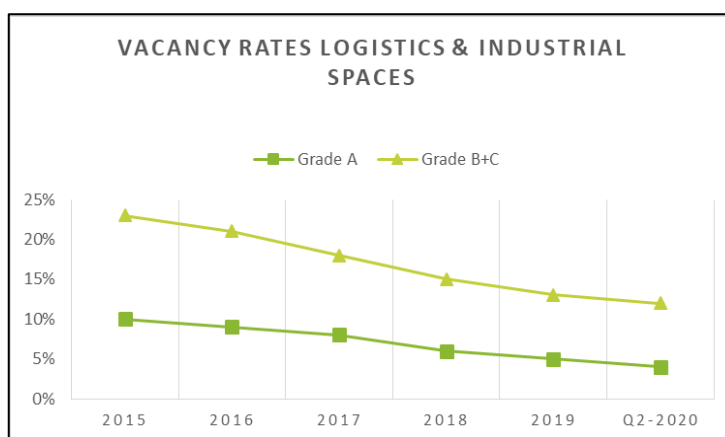









VACANCY RATES LOGISTICS & INDUSTRIAL SPACES



As for the regional units of Rethymnon and Lasithi, there is no such formed real estate market, since the few large storage units that exist are constructed upon request based on the customer's needs.

In conclusion, worth mentioning is the fact that partly encouraged by the increasing tourist arrivals in view of the decision to build the new airport of Heraklion - in Kastelli in combination with the expected upgrades, will leave its mark on the growing transport map and gathers the interest of a number of serious investors.



	MARKET TRENDS LOGISTICS			
	RENTS	YIELDS	DEMAND	SUPPLY
GRADE A				
GRADE B				

The industrial market has been witnessing an impressive increase in volumes of transactions as well as rental levels. This trend is expected to continue throughout 2020, especially after the Covid-19 pandemic and its impact in the RE market.

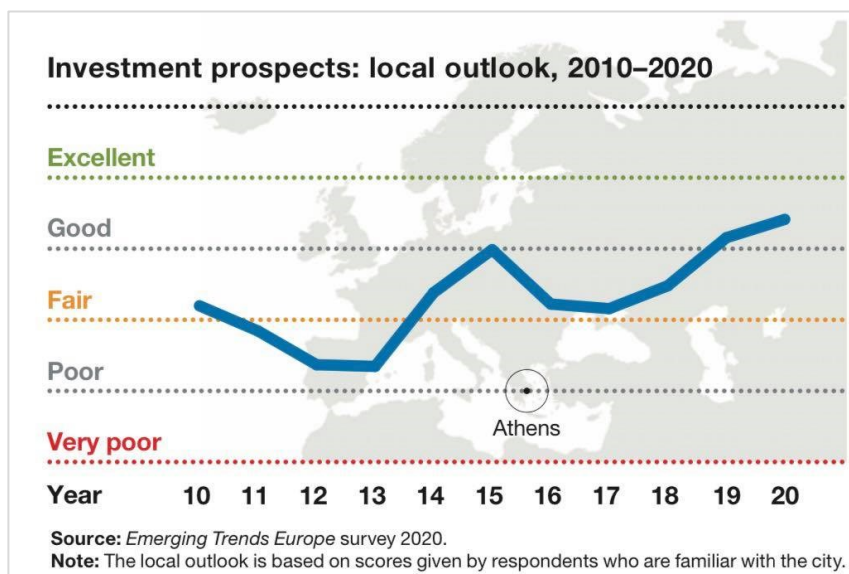
RESIDENTIAL MARKET REPORT

The Greek residential property market traditionally has been serving as the growth locomotive of the Greek economy. Some key characteristics are the high rate of home ownership, offices are not highly concentrated in the CBD of the city, many degraded areas are near central locations and with price differentials that can be remarkable, there is less demand for short-term rentals during the COVID-19 pandemic.

OVERVIEW

Transactions activity in the Residential market appears to be dependent on Airbnb and Golden Visa, both of which have witnessed noticeable decline due the restrictions imposed as a result of the spread of Covid—19.

Despite the current pandemic situation, the number of short-term rental listings has remained stable. The reason for this, is that approximately half of the short-term rentals are not full-time rentals — and were never intended to be. For these hosts, short-term rental income is mainly supplemental and they have therefore no reason to remove their listings.



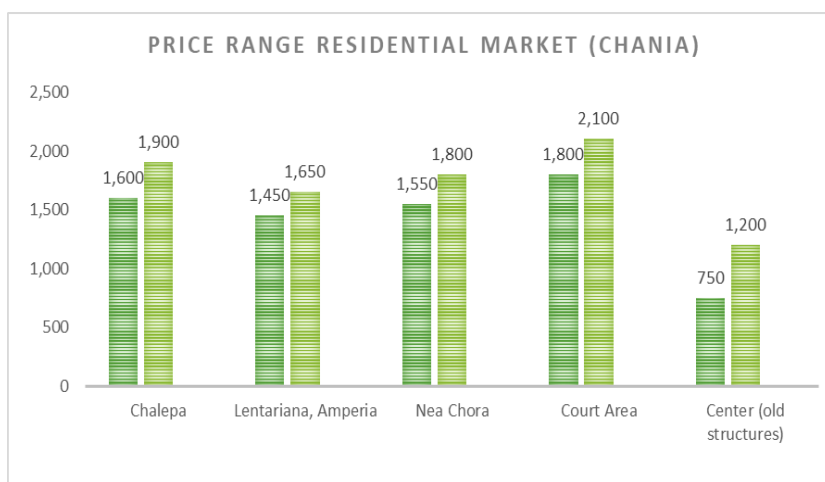
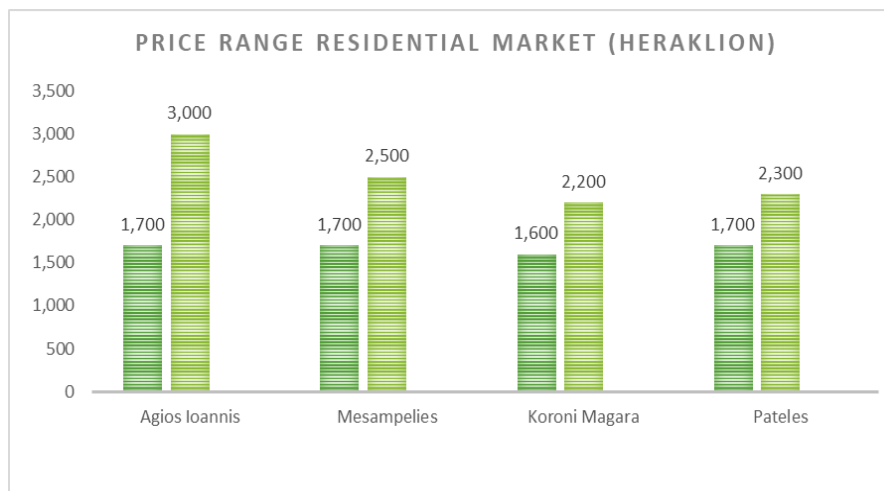
CRETE RESIDENTIAL MARKET

The sector of Residential Properties is likely to suffer the less losses. The demand for housing in Chania and Heraklion is consistently higher than the supply and this will not change easily. Temporarily some buyers may postpone or stop their searching as a result of the uncertainty. Even if many new houses enter the property market in the coming months, they will simply meet the long-standing demand. If there is a pressure on prices, it will mainly concern expensive properties, i.e. either large houses or those that are priced above the average € / sqm. The current health crisis creates uncertainty in the residential market, as buying interest from abroad has been at least temporarily halted, while the suspension of the country's mortgage offices for the period from mid-March to the end of April 2020 contributed to the further weakening of the market. The effects of the crisis are expected to be reflected in both house prices and rents, with significant variations at a local level. In the short term, it is estimated that the market for apartments, especially in urban centers, will come under pressure, mainly due to the reduction of interest in short-term rental with a tourist character.

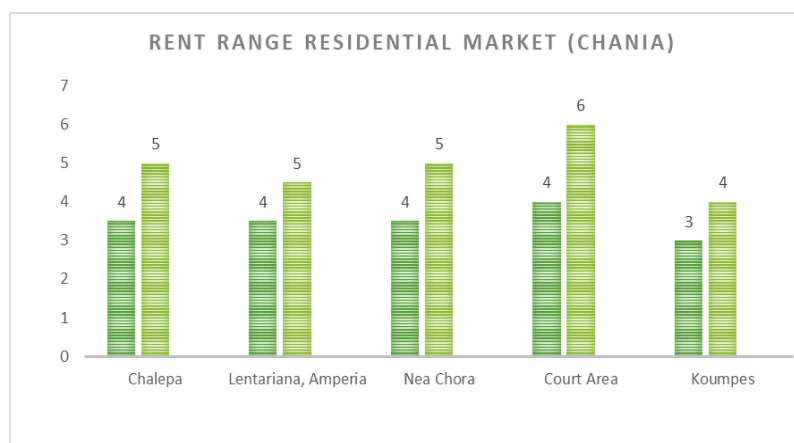
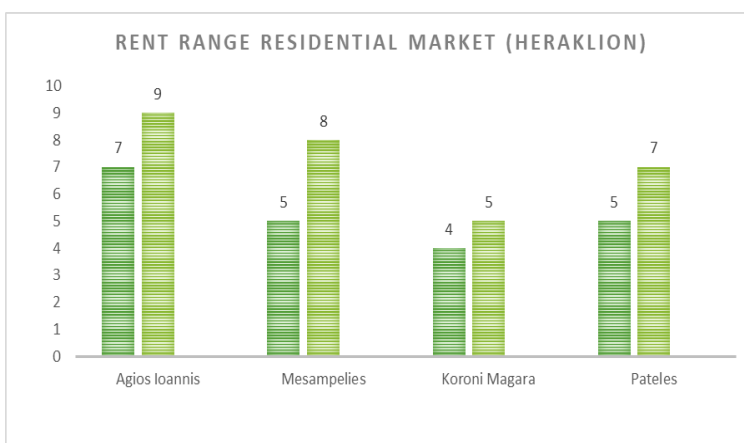
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Golden Visa has been a significant market driver that has supported the market for the past three years. Cash injection and direct investment of foreign capital has been important to the market increases since local buyers have been facing problems with Income levels and Bank fueled financing. It remains to be seen how the travel bans and the overall Covid-19 measures will impact the Greek Residential Market.



The Greek residential market has seen significant reduction in investment activity during the past 10 years with prices adjusting substantially, recording declines of 40-50% on average. However, during the past three years, driven by strong macroeconomic performance together with political stabilization, the Greek real estate market is noting strong signs of bottoming out and entering a period of price increases.



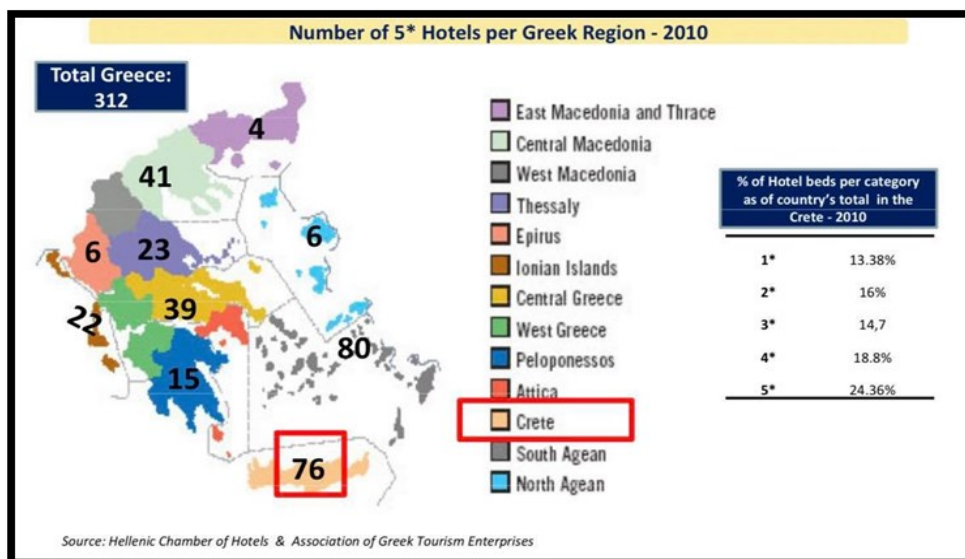
Source: Spitogatos.gr

TOURISM & HOTEL MARKET REPORT

The measure of imposing a horizontal tax rate on the total global income of taxpayers who relocate to Greece, tax incentives for foreign retirees and tax incentives for the implementation of renovation works are of interest and the hotel real estate sector, although seemingly "weak", is regaining its pre-pandemic glory.

OVERVIEW

The hotel sector and investments made through the Golden Visa may have been hit by the pandemic crisis, but low real estate prices in Greece remain a serious attraction for investors. Covid – 19 may have left deep marks on the tourism market - with this year's revenue losses estimated at 15 billion euros - and the investment plans that are being implemented may have lagged behind, however, the positive fact for the industry is that no projects have been cancelled. The strong brand name that Greek Tourism has managed to build in recent years not only is maintained in high levels, but it also increases investment interest.



INCOMING TOURISM

Administrative Data

 Bank of Greece
Frontier Survey

 Air
arrivals

-64.4%

September 2020

-73.4%

YTD


 Road
arrivals

-94.0%

September 2020

-76.1%

YTD



ARRIVALS

-73.3%

August 2020

-78.0%

YTD



RECEIPTS

-66.5%

August 2020

-79.7%

YTD

Crete Hotel & Tourism Market

The downfall of the numbers for industry started before the lockdown witnessing large falls in RevPar and Occupancy rates from the end of February in most European cities. Occupancy Rates are not measured at this point by Industry professionals since the industry remains in lock down. Specialists believe that ADR and RevPar will fluctuate on the downside for the following year and will stabilize around Q3 2021. According to published researches involving 1.719 Greek hotels, the overall understanding is that there is a challenging period ahead, in relation to both the hotel operations and the liquidity of the companies. However, the Covid crisis in the industry has not slowed down investment so far, since most of the investors believe that this is a short term crisis and the demand for Greek holidays especially after successfully handling the pandemic crisis will bounce back fast to last years' figures.

Putting in the equation the current law that provides a specific maximum allowed coverage, building factors, area of houses, etc., it is strongly considered that the best choice is the creation of large tourist facilities with buildings ranging from 150,000 to 1.5 million sqm for areas from 1,000 to 10 square kilometers (10,000 acres) respectively. Within these areas can be built 22,500 to 225,000 sq.m. furnished houses, ie. 110 to 1100 residential units with an average area of 200sqm. Their advantage is that not only can they be sold independently, but they can also be serviced all year round by the hotel infrastructure.

- Greece is one of the countries that is reopening its borders for tourists during this year's summer holiday season, and in conjunction with its relatively favorable epidemiological characteristics, is expected to claim a significant market share in tourism.
- Assuming an orderly exit from the health crisis and a non-recurrence of the pandemic during the summer and early-autumn months, Greece may be able to claim a relatively larger market share, albeit at lower absolute size than last year. Tour operators will have fewer options regarding the available tourism destinations and from recent market evidence they seem to be quite interested in Greece.

Tourism Arrivals in main airports of Greece-2010

Athens	2.996.573
Heraklion	1.930.155
Rhodes	1.421.955
Thessaloniki	1.133.704
Corfu	729.604
Kos	695.937
Chania	593.228
Zakinthos	420.284
Santorini	181.746

Source: Civil Aviation Authority

- Experts believe that full recovery will be effected in 2022.

New Openings in 2020

Greece's exemplary handling of the crisis has created a positive image in international media motivating multimillion-euro investment projects to be launched across the country, with Chania, Heraklion and Greek hoteliers at the forefront, expanding their presence in the tourist real estate, despite the difficult economic situation prevailing at an international level.

The expectations in the market remain high and there is vivid activity in the sector with new openings:

- Two new 5-star hotels in Heraklion, Crete, at the junction of Apokoronou and 1770 streets. The first hotel will have 50 rooms and the investment will be implemented by MS WHITE HOSPITALITY IKE. It is worth noting that a few days ago, the Municipality of Heraklion approved the creation of another hotel by MS WHITE HOSPITALITY IKE, at 77-79 Kalokairinou Avenue and Kazani 1.
- New 5-star hotel in Rethymnon called Minos Ambassador opens its gates next year in the city of Rethymnon, next to the Minos Hotel which belongs to the same company ("N. & H. VOVRACHAKIS SA").
- Numo Ierapetra Beach Resort, is a new 5 star hotel that will open this year in Ierapetra in the prefecture of Lassithi, Crete by NUMO Hotels & Resorts, a member of the Troulis Royal Collection group. Numo Ierapetra Beach Resort will have 132 rooms and suites, restaurants, swimming pool, bars, fitness center etc.

- Among the investments that were approved was the construction of a new hotel unit of category 5-star, with a capacity of 405 beds of energy class A + in the area of Marathi D.E. cape of the Municipality of Chania. Press Office of the Greek Ministry of Environment and Energy announced that a number of urban and architectural issues were approved during the meetings of the Central Council of Architecture (KESA) and the Central Council of Urban Issues and Disputes (KESYPOTHA).
- The company Mirum Hellas of the Russian businessman Vitaly Borisov will start in large areas near Elounda and Ag. Nikolaos of Lassithi of Crete, the large tourist investment Elounda Hills. The investment concerns the construction in six independent areas of 675 acres, of 5-star hotel complexes, holiday homes for sale, marina for 202 yachts, sports facilities, rejuvenation centers (spa) etc. This is without a doubt a really impressive investment, with a budget of 4.500.000.000 euros. About 600 job positions will be created during the construction of the facilities, and another 763 when they start operating. In addition to that, in a seaside area in Vathi (very close to Daios Cove Luxury Resort & Villas), located 10 km south of Agios Nikolaos, Mirum is planning to create a Park Residences investment that includes the construction of luxury villas and a 5-star hotel complex with a total capacity of 200 beds, which will be managed by an international hotel chain.
- An Israeli interest company converts three buildings into a hotel in the old town of Chania. The company plans to convert into a hotel the three historic buildings of the "Cretan Division" - Rosa Nera, "Turkish Prisons" and "Barracks", with a total area of 3,303 sq.m. located on Kastelli hill above the port of the old town of Chania. The company promises to invest 18.000.000 euros.
- The new unit is called SanSal Boutique Hotel, inspired by the historic location of the hotel, between the Venetian Walls, the San Salvatore Bastion and the oldest oil unit in Greece (Park AVEA), in the area of Nea Chora, Chania. Located in Akti Kanari, a short distance from the city center, with facilities that cover every demand and desire, SanSal Boutique Hotel brings with it the air of modern, warm and luxurious hospitality, upgrading the hotel potential of the area. SanSal has 23 rooms and suites, Rooftop Pool & Lounge Bar, a restaurant with Mediterranean flavors and unobstructed sea view.
- A brand new 5-star hotel complex Robinson Club Ierapetra started its operation in a coastal area of 142 acres in Koutsounari, Ierapetra, Lassithi. Robinson Club Ierapetra consists of 340 rooms and suites, restaurants, bars, five swimming pools, gym, spa, two conference rooms, sports facilities, "playground" 1,800 sq.m., parking etc.

Nights spent at Hotel establishments & Campsites by Region - 2009		
Regions	2009	% of total
Crete	15.621.455	23,70%
South Aegean	14.636.435	22,20%
Central Macedonia	7.891.793	12,00%
Ionian Islands	7.457.180	11,30%
Attica	7.055.609	10,70%
Peloponnese	2.830.581	4,30%
Thessaly	2.111.634	3,20%
Western Greece	1.861.313	2,80%
Central Greece	1.767.856	2,70%
East Macedonia & Thrace	1.754.483	2,70%
North Aegean	1.635.463	2,50%
Epirus	1.015.199	1,50%
West Macedonia	383.269	0,60%
Greece Total	66.022.270	100,00%

Source: Association of Greek Tourism Enterprises

In this context, the administration of some regions, such as those of Crete and the Ionian islands, are contributing to the effective implementation of the hygiene protocols by covering financial expenses of relevant educational programs. The aim of this initiative is to train employees in the tourism industry by offering them relevant knowledge and skills, ensuring that health standards are kept at a high-level.

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