

CRETE MARKET REPORT

2021 is considered to be the year of hope and the year that finally we will return to some short of normality after the pandemic. As vaccination programs are racing, governments are trying to ease the restrictions of the COVID-19 pandemic so as to restart the Global economy. 2021 is already considered as the first step to recovery.

MACRO FIGURES

European and Global figures imply that economic impact of COVID-19 has lead 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 Overview

Greece had to face the outcomes of a ten year economic crisis that officially came to an end in 2019. Although 2020 was an unprecedented year because of the pandemic, 2021 is defined as the year of recovery and growth. Growth is expected to be around 4% according to IMF projections and Greece macro figures are expected to perform well in 2021 and the growth is expected to expand through the following years marking a new era for the Greek Economy. Gradually during this year, economy and society will abandon their defense and prepare for the day after. Although trends affecting the global economy will be mixed, the overall effect is expected to be positive.

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



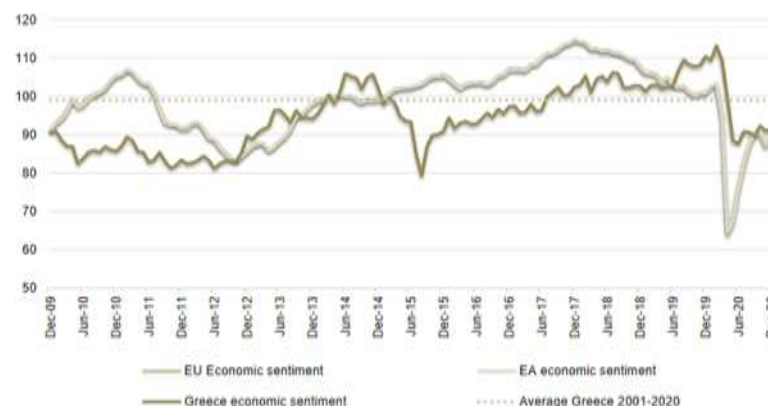
Source: Elstat

EUROPEAN COMMISSION FORECASTS				
ECONOMIC INDICATORS	2019	2020	2021	2022
GDP (%)	1,9	-8,2	4,41	6
Inflation (%)	0,5	-1,3	-0,2	0,6
Unemployment (%)	17,3	16,3	16,3	16,1
Gvnt Balance Sheet (% GDP)	1,1	-9,7	-10	-3,2
Gross Public Debt (% GDP)	180,5	205,6	208,8	201,5

Source: ec.europa.eu

The coronavirus pandemic took a strong toll on the Greek economy. The economy contracted - 8,2% in 2020 as economic activity was constrained to stop the spread of the pandemic. The services sector is hit particularly hard and although international tourism was expected to grow, there is a slight expectations' decrease because of the slow down in vaccinations and the appearance of new COVID-19 Variants. Important clients like the UK have yet to ease travelling restrictions to Greece causing turbulence to the sectors much anticipated opening. The Economic Climate up turn has slowly started by the end of 2020 and is expected to further grow in 2021.

Economic Climate Index

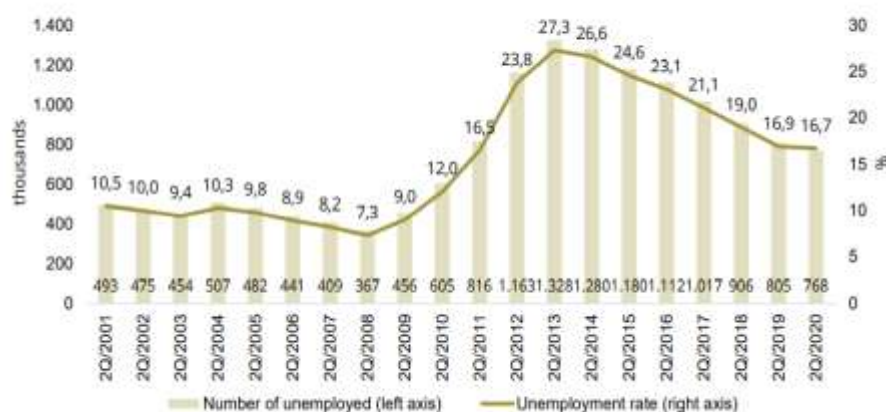


Sources: IOBE, European Commission

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 extended the measures for 2021, which aim to support the recovery by stimulating demand and employment. In addition to that the Government has successfully issued bonds so as to ensure liquidity in the market and proceed with the investment programs. The strong performance of the bonds has been achieved despite the context of the global crisis.

Number of unemployed and unemployment rate in Greece



Source: ELSTAT

As for the employment, it 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 during the pandemic the labor market remained 'frozen', with very limited hiring and firing taking place.

After a successful management of the health crisis and a meticulously organized vaccination campaign projections surrounding the outlook appear to be very optimistic and show an actual redirection of the Greek Economy to Sustainable development and Digital Transformation. Greece 2.0 comes as a response to the pandemic and the new challenges that the country has to face after the health crisis.

OFFICE MARKET REPORT

Office rents in Crete are likely to come under increasing pressure as the new projections show for both the Greek and the world economy. In addition, layoffs and lower demand for office space will impact office leases.

OVERVIEW

According to our latest research, work from home and shift work do not seem to be working properly in Crete, while Cretans are not yet ready to adopt such reforms.

CRETE OFFICE MARKET

After the imposition of sequential lockdowns, new trends have impacted the market and the mode of operation of the "Working model" has changed. This fact seems to have shaped a significant supply of offices, while at the same time the demand for quality office space - Grade A - continues to rise. In the long term, more and more companies in Crete, and more specifically in Heraklion and Chania, are likely to apply flexible rental arrangements or short-term leases. It is therefore expected, that the value of Grade A office spaces, with quality business premises, will not contract, as it is considered to be a product with investment dynamic. As for the other categories of offices, it is considered that their prices are likely to decline, while supply is going to increase. Experts of the Real Estate Sector advise the owners of office properties to carry out renovations in order to keep pace with the needs and requirements of today's standards. Therefore, the strongest negative effects are expected to be seen on the value of the secondary markets.

MAIN MARKETS AVRG RENT (CHANIA)



Source: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE

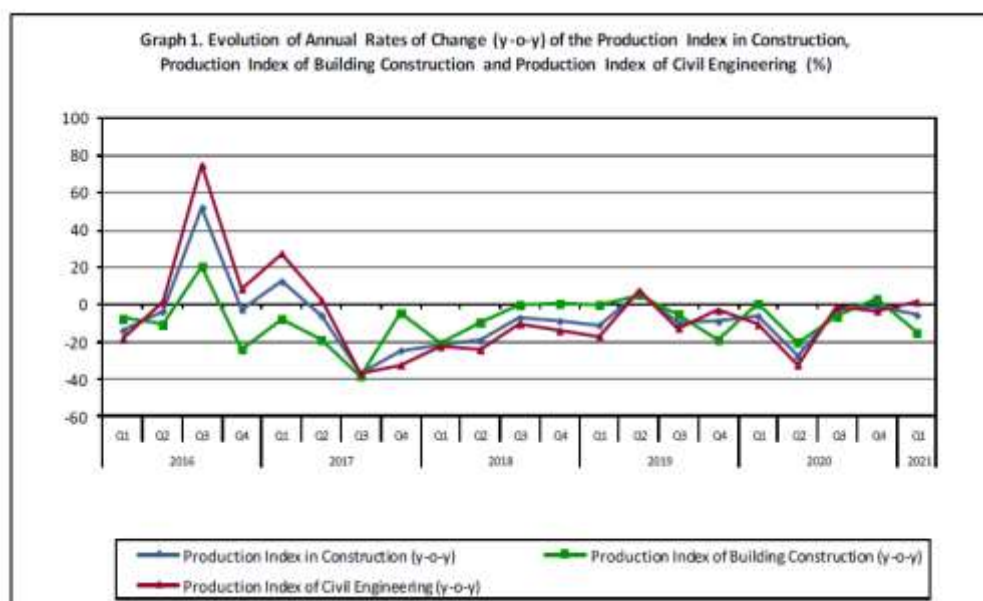
MAIN MARKETS AVRG RENT (HERAKLION)



Source: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE

It is also important to note that due to the virus and the new mentality it has brought about distances and security measures for its transmission, workplaces that are not located in extremely central areas are expected to be preferred, due to easier and direct access for employees, which will not require overcrowding and gathering of large numbers of people indoors and outdoors.

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 8% to around 8.5%.


www.statistics.gr

Yields	Locations
6%-6,5%	Grade A Prime Locations
7%-7,5%	Grade B Prime Locations
8%-8,5%	Grade B Secondary Locations

Source: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE

MARKET TRENDS GRADE A OFFICES	
RENTALS	➔
YIELD	➔
VACANCY RATE	➔
ABSORPTION	➔

Source: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE

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 investors' demand. There are new developments, which 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.

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

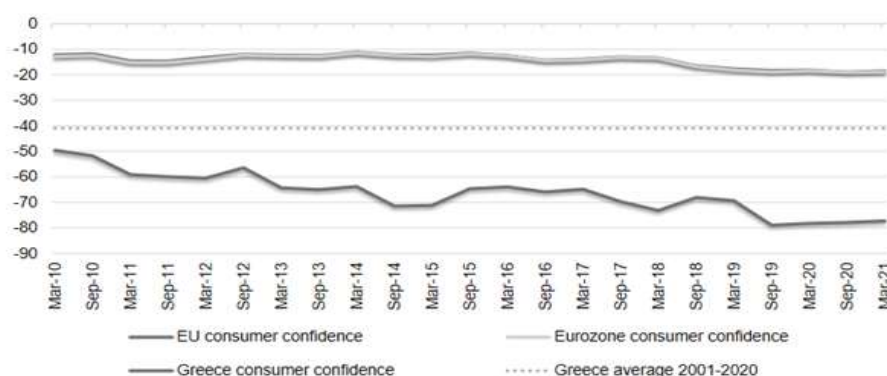
Retail has been challenged in 2020 and 2021. Lockdowns and the spread of the pandemic have largely affected the operation of the retail market, that is now trying to find its way within the pandemic and adapt in the new norms. E-shopping showed a gradual return to 2019 levels and as the Finance Ministry said, hopes are raising for a further spending bounce.

CRETE RETAIL MARKET

The further pullback of an already lenient COVID-19 lockdown saw Greek consumers starting to visit the stores for their purchases, whilst at the same time online purchases increased respectively.

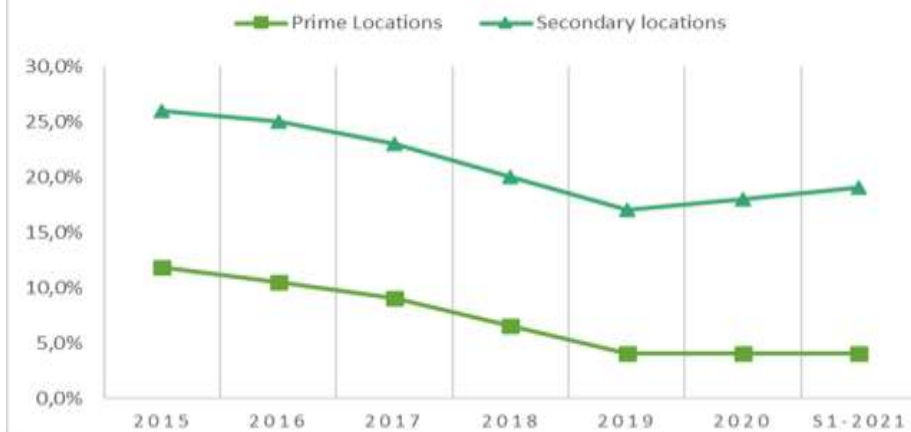
The retail sector in Chania, is one of the most affected ones and most of the commercial enterprises and small businesses are currently fighting in order to survive. Online transactions rose per 10% compared to May 2019. However, there is optimism, that the spending figures will come close to the numbers two years ago.

Consumer Confidence Index



Sources: IOBE, European Commission

RETAIL MARKET VACANCY RATES



Source: Danos, an alliance member of BNP PARIBAS REAL ESTATE

The most commercial area in **Chania** is the Old Port, where monthly rental values vary from 30 - 40 €/sqm, while in specific smaller units can reach even 50 €/sqm, with the most commercial roads being Chalidon, Chatzimichali Giannari and Skalidi Streets (main area of retail market), where monthly rental values vary from 25 - 45 €/sqm. COVID-19 impacted the vacancy rates and resulted in many empty stores in the main streets, such as Skalidi. Two years ago, it was impossible to find vacant shops in the central roads, like Skalidi, Chatzimixali Giannari or at the square of 1866, but now even leasing the vacant spaces, that are available, has become more difficult than ever.

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 monthly rental values vary from 25-60 €/sqm. 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, monthly rental values range from 15 – 35 €/sqm in Arkadiou Street (↑ prices at the north part) and from 8 – 15 €/sqm 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.



Source: Danos, an alliance member of BNP PARIBAS REAL ESTATE



Source: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE

MARKET TRENDS PRIMARY RETAIL LOCATIONS

RENTALS	➡
YIELD	➡
VACANCY RATE	➡
ABSORPTION	➡

Main yields:

The yields in the first semester of 2021 show signs of stability since the retail market is challenged and the increased volumes of e-commerce have resulted in a drop in sales. It is expected for the Retail Sector to be stabilised further in the second half of 2021 although fears for another wave of the pandemic in Autumn are prevailing and the trend of e-commerce sales does not appear to be slowing down. 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 in line with previous standards.

LOGISTICS 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

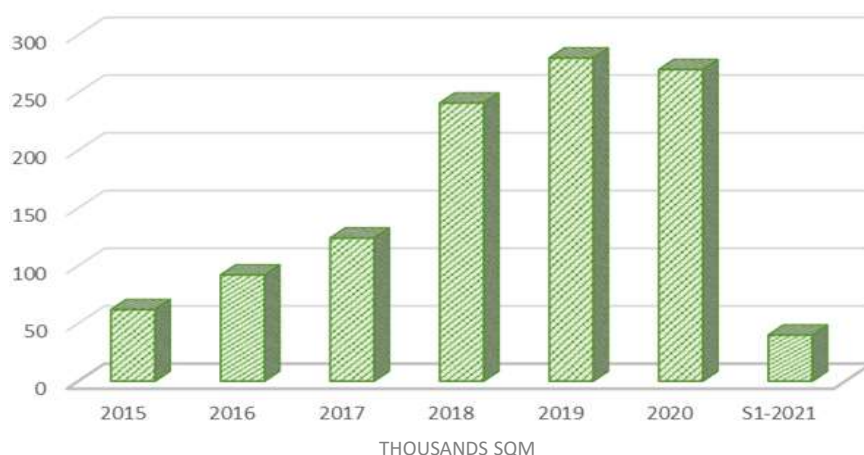
New logistics projects in Greece are currently in progress mainly in Attiki and Thessaloniki, which have mobilized investments of €150 million and will create 300.000 sqm of new facilities. Two main factors are: the disinvestment of the debt crisis era and the rapid growth of e-commerce, further nurtured by the movement restrictions imposed due to the pandemic crisis. The logistics sector is increasing its data and attracting the attention of investors. The lack of supply for modern grade A logistics, though, activates the interests of investors seeking to invest in spaces suitable for logistical developments.

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. Monthly rental values vary from 2,5 - 4,5€/sqm in Heraklion and from 2-3 €/sqm in Chania.

TAKE UP OF INDUSTRIAL PROPERTIES



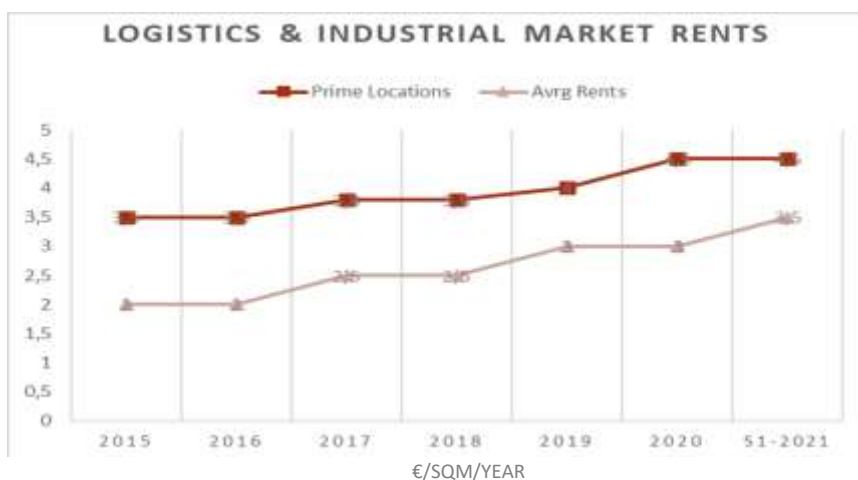
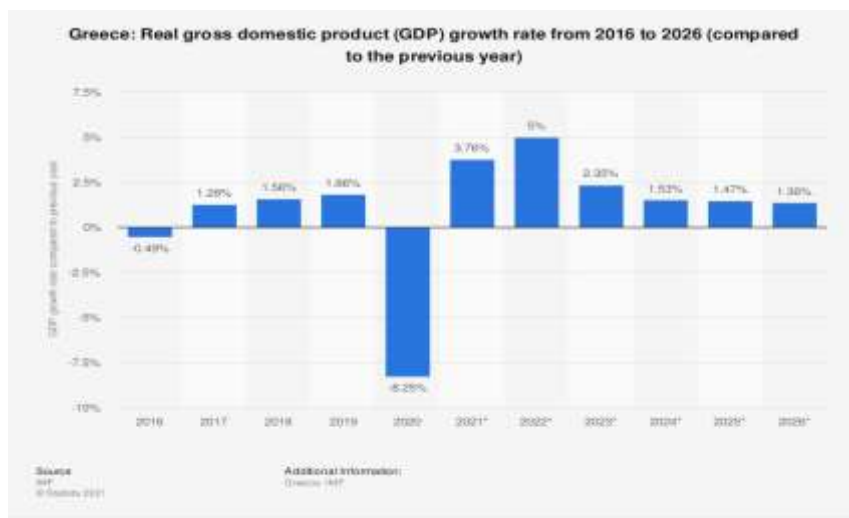
VACANCY RATES LOGISTICS & INDUSTRIAL SPACES



Acknowledging not only the potential but also the challenges faced by the industry, the Hellenic Institute of Logistics Management recently organized the 4th virtual International Logistics Forum to discuss innovation, the development of human resources and the competitiveness of investments.

As for Crete, in 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, 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.



Source: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE

	MARKET TRENDS LOGISTICS			
	RENTS	YIELDS	DEMAND	SUPPLY
GRADE A				
GRADE B				

In order to increase its attractiveness as an international freight center or a leading regional logistics hub, Greece will need to focus on four priorities, with the first one being to improve connectivity with global trade lanes by leveraging the Greek shipping ecosystem. Secondly, there needs to be improvement its ports and logistics infrastructure, with investments in logistics parks, that need to match the progress made in ports infrastructure. Lastly, strengthening its financial ecosystem to provide top-level financial and business services and upgrading technology, innovation and human capital, to allow the development of new business models and enable the required transformation of supply chains, is vital.



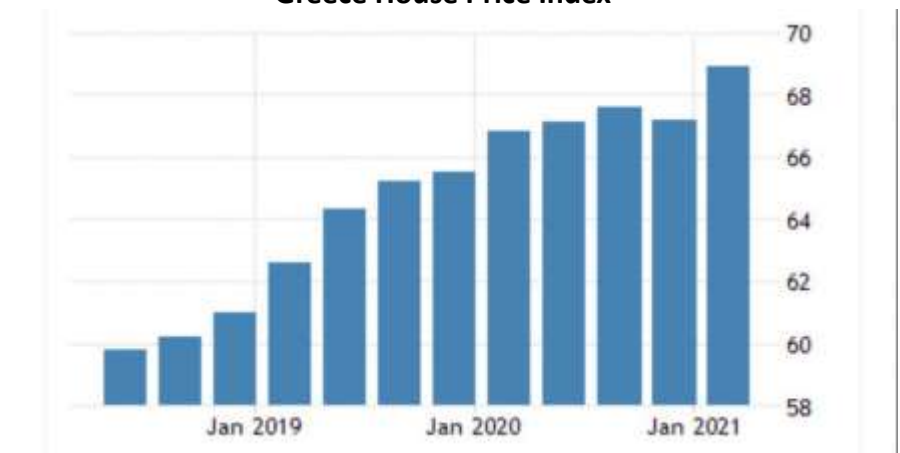
RESIDENTIAL MARKET REPORT

The Greek residential property market has traditionally 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

Housing Index in Greece is expected to be 69.00 points by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, we estimate Housing Index in Greece to stand at 76.00 in 12 months time. In the long-term, the Greece House Price Index is projected to trend around 78.00 points in 2022 and 80.00 points in 2023, according to our econometric models. Housing Index in Greece increased to 68.90 points in the first quarter of 2021 from 67.20 points in the fourth quarter of 2020.

Greece House Price Index



Source: Bank of Greece

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 buyers' interest from abroad has been at least temporarily halted. 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 through platforms like Airbnb.

Danos - Melakis

INTERNATIONAL PROPERTY CONSULTANTS & VALUERS

Aside from the Golden Visa program, several other measures introduced by the Greek Government of the center-right New Democracy party, have buoyed the housing market recently:

- Suspension of VAT payments on new building permits and unsold properties built after January 1, 2006.
- Reduction of the single property tax (ENFIA): The ENFIA for individuals was reduced: 30% reduction for properties valued up to €60.000; 27% for those valued up to €70.000; 25% for those valued up to €80.000; 20% for those valued up to €1 million; and 10% for properties valued more than €1 million. At this point, we have to note that high property taxes had discouraged many potential buyers, because property taxes had increased seven times since the global financial crisis.



Source: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE



Source: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE

Housing Index in Greece is averaged at 77.11 points from 2006 until 2021, reaching an all time high of 102.20 points in the third quarter of 2008 and a low record of 58.90 points in the third quarter of 2017. 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: Danos-Melakis, an alliance member of BNP PARIBAS REAL ESTATE

TOURISM & HOTEL MARKET REPORT

Struggling to contain rising numbers of COVID-19 cases, Greece has been fluctuating between hard and soft lockdowns since November 2020. But with more than 20% of the country's gross domestic product derived from tourism, which employs one in five of the Greek workforce, the country's hospitality sector needs to bounce back quickly in order to survive.

OVERVIEW

The president of the World Travel & Tourism Council (WTTC) Gloria Guevara, has welcomed the Greek Tourism Minister announcement on the opening day of "Berlin 2021" that tourists are welcomed from May 14, if they are vaccinated, have antibodies or test negative to COVID-19. Although Crete is referred as the country's — and possibly Europe's — number one destination for Germans this summer, Greece's largest island counts 600.000 inhabitants and attracts one in five of the country's visitors, but only a few thousand have been vaccinated so far. At this point, it is important to note that in Crete, where 55% of islanders are employed in the tourism industry — and social welfare is extremely limited — seasonal workers have been badly affected by the closures and the lockdowns.

PASSENGER TRAFFIC	Domestic				International				Total			
	2021	2020	%2021/2020	%2021/2019	2021	2020	%2021/2020	%2021/2019	2021	2020	%2021/2020	%2021/2019
January	110,722	433,964	-74.5%	-75.4%	122,633	1,038,772	-88.2%	-87.0%	233,355	1,472,736	-84.2%	-83.2%
February	101,741	423,501	-76.0%	-77.0%	96,112	941,130	-89.8%	-89.1%	197,853	1,364,631	-85.5%	-85.1%
March	120,676	207,955	-42.0%	-76.6%	119,846	431,826	-72.2%	-89.4%	240,522	639,781	-62.4%	-85.4%
Year-to-date	333,139	1,065,420	-68.7%	-76.4%	338,591	2,411,728	-86.0%	-88.6%	671,730	3,477,148	-80.7%	-84.6%

Source: Athens International Airport Passenger Traffic Development

Crete Hotel & Tourism Market

With only 7,4 million visitors last year — compared to 34 million in 2019 — Greece is desperate to restart tourism. However, on May 14th, the first day of the country's official opening to international visitors, who have proof of vaccination, proof of recovery or a negative COVID-19 PCR test, the difference in comparison to last year's opening in the island of Crete was almost non-existent. Despite the perfect blue skies, balmy waters and average temperatures of 27 degrees Celsius (80 degrees Fahrenheit), the island's golden-sand beaches were almost deserted, countless cafes were shuttered and many hotels and resorts were closed during the first month of the Greek tourism season of 2021.

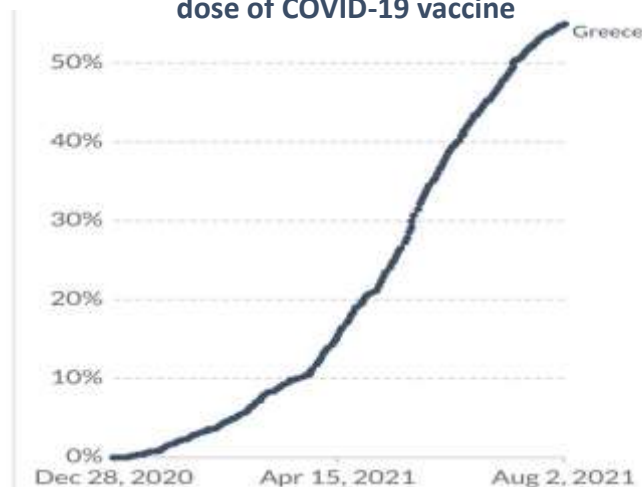
According to a recent report by the Bank of Greece, the country's banks have the highest level of non-performing loans in the European Union, with NPLs accounting for 30.2% of their portfolios, which is more than 10 times the EU average. Tourism employs one in five of the country's workforce,—especially in Crete- which has been badly affected by the loss of visitors.

Travel company TUI, which has been sending at least 120 flights to Greek destinations during the first summer month of 2021, is also convinced that Greece is a top destination for Germans this summer — and Crete is touted to be their favorite island.

After all, Crete has always been one of the flagships of Greek tourism and in the unprecedented crisis of the coronavirus, it manages to keep its reputation at a high level and to offer high-quality services to the tourists who visited it last summer.

- In recent decades Crete has successfully welcomed millions of tourists from all over the world. Even this year that is so critical for tourism, the people of Crete will respond to this challenge with consistency and responsibility. The Heraklion and Chania Ports are considered to be of great importance for Crete's tourism, alongside the Daskalogiannis Airport in Chania that has been recently renovated and extended.
- 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.
- Experts believe that full recovery will be effected in 2023.

Share of people who received at least one dose of COVID-19 vaccine



Source: Our world in Data, a project of the Global Change Data Lab

New Openings in 2020-21

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:

- **Astir Beach Hotel** - Newly opened, May of 2021 - is set in Gouves, 3,6 km from Cretaquarium Thalassocosmos, and even has its own restaurant. The property is located 2,9 km from Dinosauria Park. The property consists of a main building and an annex with 181 rooms.
- **New 5star Hotel** - Grant permission, April of 2021- is situated in Rethymno Ksirokampos area and consists of 540 Rooms and 179 apartments. It is 6,4 km away from Agia Galini Beach. The hotel features accommodation with outdoor & private swimming pools, free private parking and an aqua park of 4.000sq.m.
- **The Royal Senses Resort & Spa Crete, Curio Collection by Hilton** - Newly opened, Summer 2021 – is situated in Rethymno Panormo area and includes 179 suites and villas. It is 300m. away from Panormos beach. The hotel features 4 big swimming pools and 79 private pools, 3 restaurants and 4 bars.

- Myrion Beach Resort & Spa - Newly opened in May 2021. The hotel is located in Gerani, just a few meters from Gerani beach . It offers accommodation with two restaurants, free private parking, a big outdoor swimming pool, conference room, tennis court and consists of 112 rooms and suites.
- Numo Ierapetra Beach Resort – Newly opened in May of 2021. It is located in Ierapetra area, 10 min. away from city centre. The Resort provides accommodation with bars, private parking, swimming pools, fitness center, restaurants and it consists of 132 rooms.



Source: Arencos.com

Tourism is the vital pillar of Crete's economy, a sector that injects dynamism into the island. This is the very reason why it requires a holistic and meticulously studied approach on many domains: infrastructure, housing, services of any kind. It is the characteristic of our people to always try to do their best under any circumstances. This is what Greece will continue to do in order to reward its visitors for their choice and persuade them that is worthwhile visiting our Country again.

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