



## THESSALONIKI 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 and as 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 fuelled 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 defence and prepare for the day after. Although trends affecting the global economy will be mixed, the overall effect is expected to be positive.

GD in Volume Terms/Seasonally adjusted figures  
(q-o-q) and (y-o-y)



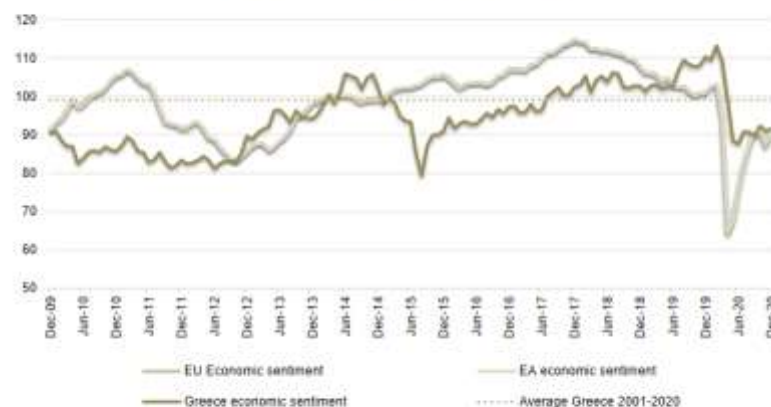
Source: Elstat

| 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/ beginning of 2021 and is expected to further grow till the end of 2021.

### Economic Climate Index

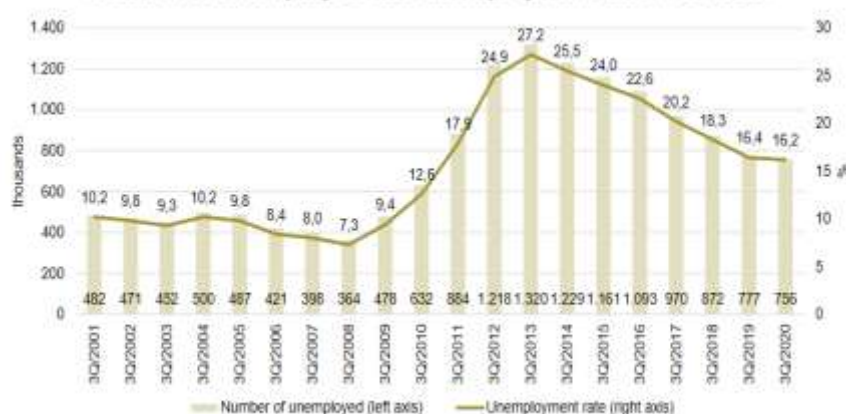


Sources: IOBE, European Commission

On the upside, the support measures adopted at EU level, including Next Generation EU, could significantly support demand in the next years 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 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 202, 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

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 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 organised 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 S1 2021

Office market has been emerging over the last couple of years. Although 2021 is being a challenging year so far, there is still ongoing demand for quality office spaces.

### OVERVIEW

Thessaloniki office market has experienced strong mobility for the last two years, and the interest remained strong during S1 2021. This dynamic trend was started at the end of 2018, has been influenced from COVID-19 but the increase of demand, combined with steadily declining supply, increased also the absorption rate.

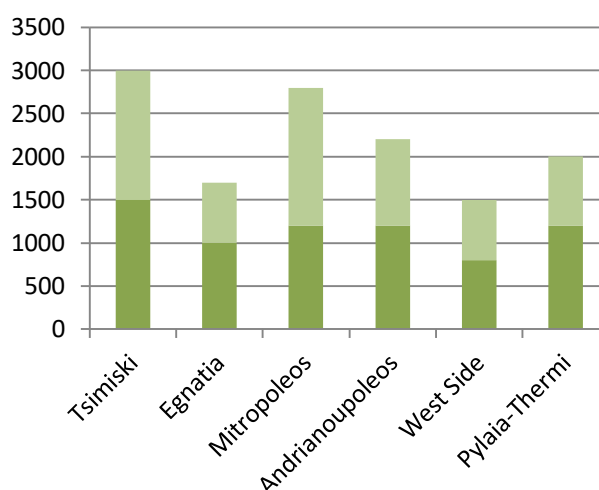
### THESSALONIKI OFFICE MARKET

The pandemic has affected the completion of the transactions in many cases. Many potential occupiers (some of them multinational companies) searched for suitable office options in a suitable locations engaging in long negotiations with the owners, but delayed the signing of the lease contract because of the insecurity caused by COVID-19.

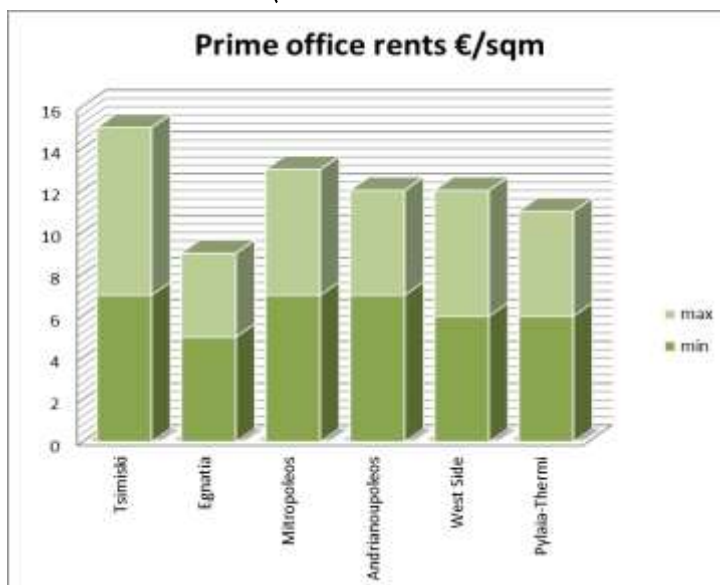
However, the characteristics of the demand have changed, because of COVID-19. Thus, larger areas per employee are required and open plan spaces are becoming less popular by the tenants / occupiers.

In many cases the goal is the reduction of fixed costs along with the need for parking spaces, and the connections to public transport. There is also a trend for companies to look for spaces outside the city center.

Prime Office Sales €/sqm



Prime office rents €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate

High demand for office spaces has boosted construction activity for office buildings and developers look for plots in order to develop offices and entire buildings for renovation purposes. The West side of Thessaloniki seems more attractive for such developments since it is difficult to find such properties in the city center. The East side of Thessaloniki showed a lot of new office developments in the last years.







The main characteristics of the office market for S1 2021 are:

- The demand for offices in the city center of Thessaloniki remains high.
- The investors prefer autonomous buildings rather than partial office spaces.
- Many international companies have decided to expand in Thessaloniki and create a hub, which will service/ include Balkan Counties markets.
- Eastern Thessaloniki show low vacancy rates and developers are eager to provide new projects so as to meet existing demand.
- In the eastern part of the city demand narrows mainly for buildings located in proximity to Mediterranean Cosmos Mall (such Phillipos Center and Ganas building).

| 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 an alliance member of BNP Paribas Real Estate

## Office Market Trends

| Rentals                                                                            | Yield                                                                               | Absorption                                                                           | Vacancy Rate                                                                         |
|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|  |  |  |  |

- In the city center the rents range around € 7-16 /sqm / month for the prime areas and in €7-11/sqm/ month for the secondary streets. The rental levels depend on the state and the characteristics of the property.
- Western Thessaloniki is expecting market changes with the current pipeline of projects (26<sup>th</sup> October street) where new Grade A offices will be on offer.







## RETAIL MARKET REPORT S1 2021

The Retail Sector was the most affected sector of COVID-19 pandemic due to the local lockdowns, especially in the F&B sector. Vacancy rates increased further in prime locations, yet secondary markets appear to be even more affected.

### OVERVIEW

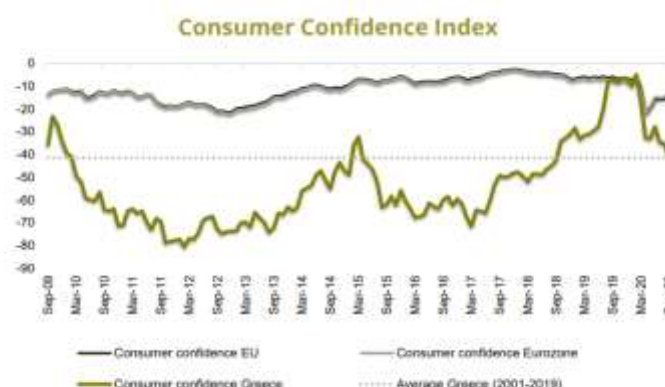
In the first half of 2021, COVID-19 affected mainly the retail market – with the exception of super markets.

The F&B industry is the most affected one, as bars and restaurants remained closed, or have worked with many restrictions for a long period of time.

### THESSALONIKI RETAIL MARKET

Any forecast for the Retail Sector is currently very difficult. Although there was an improvement concerning the COVID-19 situation with the vaccination schedule that was showing optimistic results the new Delta Variant has created again insecurity in the market. Especially in the local markets, such as Kalamaria and Evosmos the shops are facing great difficulties, because of the decreased level of visitors. In the high streets such as Tsimiski street and Mitropoleos street, the situation is better, but unfortunately the process of stabilization of the market is affected from the vaccination schedule and the prevalence the Delta Variant. Vacancy rates remain high and existing occupiers negotiate rental level decreases.

Consumer Confidence Index



Sources: IOBE, European Commission

RETAIL MARKET VACANCY RATES



Source: Danos an alliance member of BNP Paribas Real Estate

The swift of consumption through e-commerce due to the pandemic has increased during the lock down substantially and since the lift of the measures it appears, that customers still show preference to e-commerce. This trend is expected to affect the values of retail units in high streets, such as Tsimiski. Demand decreases for retail units will result to decreases in asking rental values in an effort of landlords to meet the compression of demand. Vacancy Rate are expected to increase in the coming months.

Another factor, that currently affects the retail sector, is the fact that upcoming occupiers due to the current market insecurity, engage in long negotiations in order to achieve the lowest possible rent. It is expected to take time for the sector players to find a balance of demand and supply and the current asking prices within a very insecure environment.

F&B occupiers are currently facing the biggest challenges since restrictions are still affecting them in their day to day operations. Future forecasts in the sector are directly dependent to the course of the pandemic and the success of the vaccination programs against new Variants.

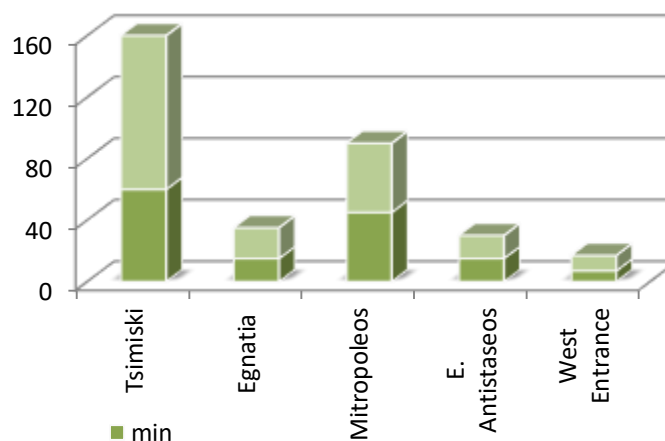
#### Investment Properties - Main yields

The yields, for investment properties – stores in the high street of Tsimiski str. range at the level of 5%-5,5%, while for the secondary markets the city center of Thessaloniki the yields range from 7%-7,5%. In the peripheral retail markets such as Evosmos, Kalamaria and Pylaia the yields range from 6,5-7%. The interest of investors remain high – especially for properties, which are located in prime locations such as Tsimsiki str.

The investors target properties with the following characteristics:

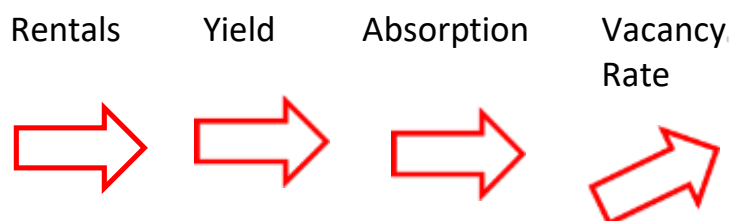
- The surface of the property should be from 150 sq m – 300 sqm
- Type of property – Shop
- Located in prime location
- The tenant should be resilient to COVID-19 (e.g. Banks or super markets)
- The contract should expire after min 5 years

#### Retail Rental Values - Thessaloniki €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate

#### Retail Market Trends







## LOGISTICS MARKET REPORT S1 2021

The industrial/ logistics market has been witnessing an impressive increase in volumes of transactions as well as rental levels. The urge for an organised logistics market has been evident with the increasing numbers of transport services and the impact of the pandemic in consumption.

### OVERVIEW

E-commerce is showing a spectacular increase in Greece after the start of the restrictive measures due to COVID-19. The important infrastructure works, which will be continued also in 2021 in Thessaloniki, will affect the development of the sector. The privatization of the port, the new terminal of the airport, along with the completely renovated old terminal will give to the airport "Macedonia" a completely new look and will be able to serve more passengers and airlines.

### LOGISTICS REAL ESTATE MARKET

Over the last semester logistics market is still increasing its figures and gathers the attention of investors. The swift to e-shop consumptions as a result of Pandemic has created a boost in demand for logistics centers that is expected to be higher the following months. Companies are interested to lease or to buy such properties with surface sizes for rent ranging between 1,500-5,000 sqm in relatively urban areas. In most cases occupiers requirements include office space as well.



### Industrial Market Trends

Rentals

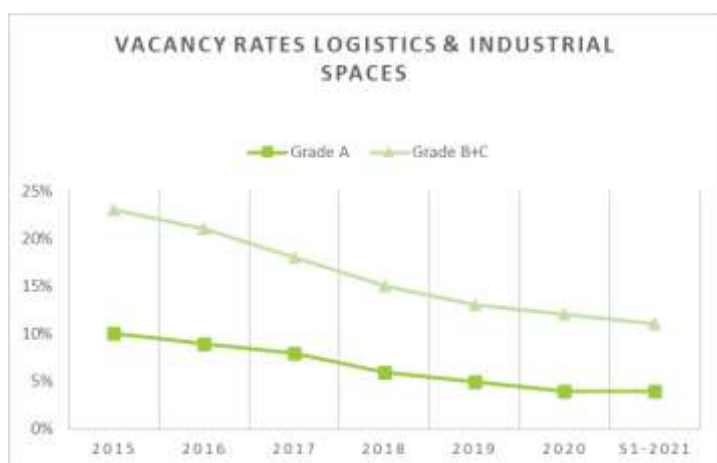
Absorption

Yields



The lack of a specialized logistics market was clearly depicted during the boom of e-commerce in the Lockdown period. Most courier and transport companies are willing to develop adequate logistics centers and last mile logistics so as to cut down transport times and handle larger volumes of products. Significant size investments are expected by the major transportation firms.

*Logistics areas such as Kalohori and Sindos are already under the investors interest, this trend is expected to be continue in the coming months.*



Source: Danos an alliance member of BNP Paribas Real Estate



|         | 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 2021 especially after COVID-19 pandemic and its impact in Real Estate market.





## RESIDENTIAL MARKET REPORT S1 2021

The increase of Residential Market performance fueled by Airbnb and Golden Visa has slowed down, however, once the travel disruption and restrictions cease and the restrictions are lifted, the market is expected to bounce back.

### OVERVIEW

The demand for properties for lease, which have as a target market the students, has declined the previous semesters. This is also the case for the properties, in the city center, which were promoted through short lease platforms. Such properties have witnessed noticeable decline due the travel restrictions imposed as a result of the spread of COVID-19. In many cases properties, which have been marketed for short leases, are now available for a lease period of at least 1 year.

### THESSALONIKI RESIDENTIAL MARKET

The prices of residential units in Thessaloniki's city center remained high for the last semester. The demand was focused mainly for properties in the center of Thessaloniki and in the east side of the city. The buyer profile in the center is mainly for investment purposes while the east side market buyer profile is mainly owner occupiers. On the other hand, the demand for holiday homes remained low due to COVID-19 with the Greek Buyers battling insecurity and foreign buyers battling traveling restrictions. Holiday homes market though is expected to bounce back in the short term.



Thessaloniki's residential market demand remained high over the last semester mainly by Greeks investors looking for flats in the city center, with surface from 40 sq m – 150 sqm. When the surface of the property exceeds 70 sqm, some of the investors intend to divide them into two or even three different flats.

The characteristics of the properties, the investors are looking for, are the following:

- The common areas of the building should be in a good condition (such as the main entrance of the building).
- Poor condition flats are preferred by investors- for renovation purposes.
- The location of the property should be a safe one.
- Legal issues, which could affect the promotion of the property through Airbnb should be solved (e.g. in some cases the central regulation of the building has specific restrictions).

The banks boost of liquidity in the market with issuing loans for property acquisitions has boosted the market further.

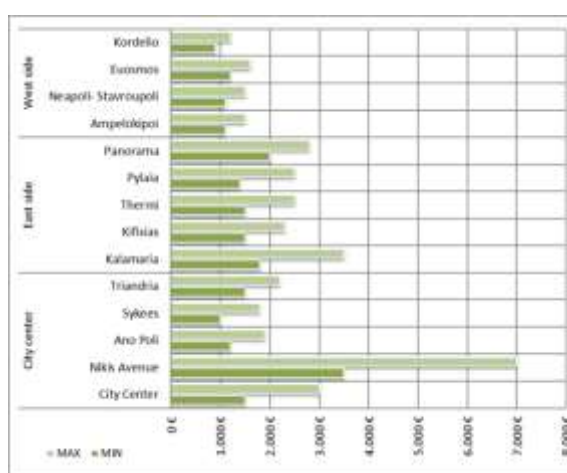
Many new apartments are build over the last semester, in the east side of Thessaloniki.

More specific, in Kalamaria area and in Pylaia area many construction companies have started to develop new projects. The potential buyers want the properties to meet the following criteria:

- Good location of the property
- Surface from 90 sqm – 120 sqm
- Availability for at least one parking space
- Good construction
- In terms of price – they want to buy “a value for money” property



**Apartments sale values - Thessaloniki €/sqm**



Source: Danos an alliance member of BNP Paribas Real Estate





## TOURISM & HOTEL MARKET REPORT S1 2021

Tourism Industry has been one of the worst affected industries from the pandemic. The pandemic has seized all tourism activity globally and vaccination schemes appear to be the only way to restart the market.

### OVERVIEW

The downfall of the numbers for the industry started before the first lockdown, witnessing large falls in RevPar and Occupancy rates from the end of previous February in most European cities. Specialists believe that ADR and RevPar will fluctuate on the downside for the entire summer season of 2021 and will stabilize in 2022. According to published researches involving 1.719 Greek hotels the overall understanding is, that there is a challenging period ahead, both for the hotel operations as well as the liquidity of the companies. However, COVID-19 crisis in the industry has not slowed down investment so far and most of the investors believe, that this is a short-term crisis and the demand for holidays in Greece, especially after successfully handling the pandemic crisis, will bounce back. 2021 was a very promising year and the demand for Greek holidays was very high since the beginning of the year however the prevalence of the Delta Variant has created a turbulence in the market and many cancellations occurred in June.

A very important issue for the tourism sector in Thessaloniki and in Northern Greece in general, has to do with the unemployment, which will rise in this sector. The professions, which will receive the biggest losses this summer, are the sectors of waiters and bartenders, cooks for hotel and restaurants. For example, this summer according to the protocol for COVID-19, the management of the hotel needs permission from the clients in order to clean their room. That means, that there is a reduction in the employees needed.



## Thessaloniki Hotel & Tourism Market

The tourism and hotels sector in Halkidiki and Thessaloniki remains in the radar of foreign investors, as it presents real investment opportunities in relation to other competitive destinations. But, in the short run (until the end of 2021), it seems that investors are expected to be on a wait-and-see attitude, waiting to reach potentially better deals. This summer the trend, as it appears for many properties in the holiday home category, is to be a single tenant for the entire season or for at least one month (that means that the property is not available for lease for a short period of time. e.g. one week).

### New Hotel Openings

Olympus Naousa, the new 5\* boutique, will be open soon in the city center of Thessaloniki, in Nikis Avenue, next to the sea. It consists of 65 rooms and two restaurants. One of them will be the famous Olympos Naousa restaurant, which has been operated in the same location, many years ago, in the ground floor of the building.

Another 5\* hotel will start to operate by autumn in Dodekanisou street in number 6. The specific building, has been used for many decades as a storage place for tobacco. Now it has been fully renovated and the new hotel will have 45 rooms and suites. It will also have a lounge bar & restaurant and a Health Spa center.

Onoma hotel has started to operate in Thessaloniki. It is located close to the railway station. It is a 5\* hotel which consists of 83 rooms and it is located in Monastiriou street.

Brown Hotels, is preparing the operation for the hotel in Egnatias street number 2, in the city center of Thessaloniki. The hotel will open soon. In the same location hotel Vienna used to operate for many years. The new hotel will have 77 rooms, a restaurant, bar and a conference room.

The new Wave of COVID-19 (Delta Variant) might delay the rebound in the sector.

Greece is one of the countries, which expects a tourists' flow 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. Halkidiki is expected to perform better than the previous year and attract large volumes of visitors especially from the neighboring countries as well as Greek origin tourists. Experts believe that full recovery is yet to delay till 2023.



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