

S1 2022 MARKET INSIGHT REPORT



THESSALONIKI MARKET REPORT

In 2022 the recovery of the Greek economy has slowed down compared to 2021. The increase in global prices, the uncertainty created by global events and the tightening monetary conditions, will have a negative impact to the country's economic resurgence. Moreover, employment growth is expected to stagnate as well. On the other hand, Greece is finally out of enhanced supervision regime as of June 2022 which will allow the economy to grow faster.

Macro Figures

The Greek economy has recovered strongly from the impact of COVID-19. This has slowed down due to the surge in energy prices and the Ukraine war. Consumer price inflation has reached a 25 year high putting pressure on the economy which expected to return the budget to a primary surplus in 2023. The geopolitical and energy crisis have slowed down but didn't stop Greece's growth.

Greek Economy Overview

2021 was a year with very good outcomes for the Greek economy albeit the impact of new pandemic variants. The economy did not slow down and instead the investor appetite is strong and many new foreign and domestic investments kicked off. In 2022 growth has slowed down mostly due to the energy crisis and inflated prices. This trend is expected to continue in 2023. Inflation has reached almost 9% with a lower forecast of 3,5% for 2023. Unemployment has been decreasing in the past years as Greece was exiting the enhanced supervision regime. Although, due to energy crisis and uncertainty the decrease of unemployment has stagnated and is expected to remain at around 13% for 2023. The public budget and debt have seen improvements over the past year as well.



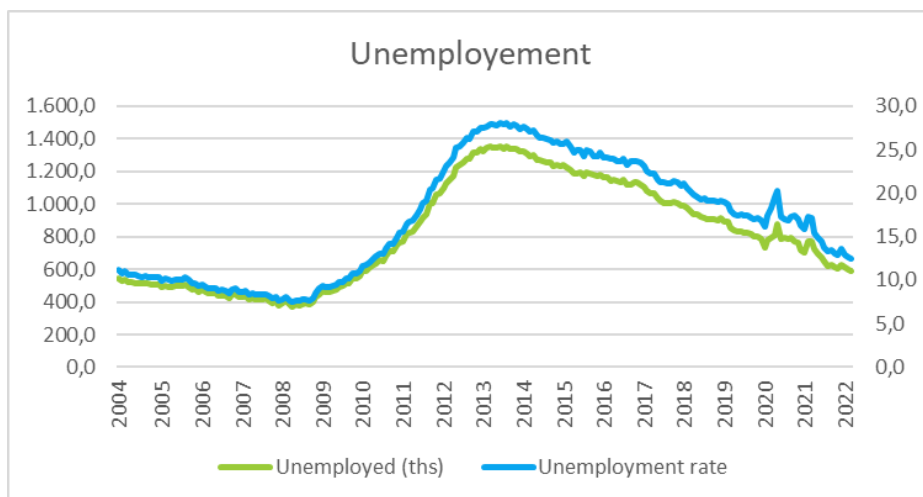
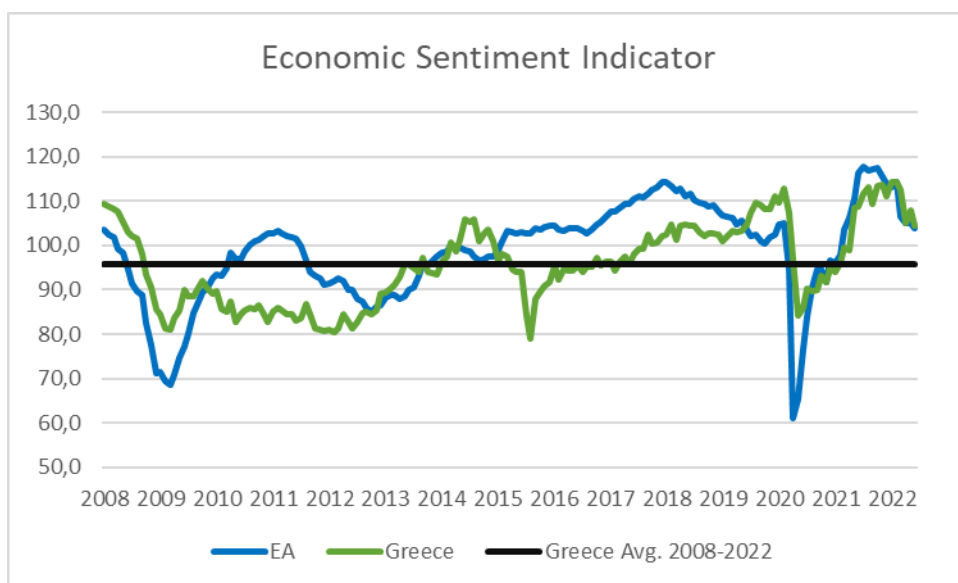
Source: Elstat

EUROPEAN COMMISSION FORECASTS				
ECONOMIC INDICATORS	2020	2021	2022	2023
GDP (%)	-9	8,3	4	2,4
Inflation (%)	-1,3	0,6	8,9	3,5
Unemployment (%)	17,6	14,7	13,7	13,1
Public Budget Balance (% GDP)	-10,2	-7,4	-4,3	-1
Gross Public Debt (% GDP)	206,3	193,3	185,7	180,4

Source: ec.europa.eu

The coronavirus pandemic, the energy and geopolitical crisis took a strong toll on the Greek economy which was growing fast before 2020. Even though the economy has shown signs of recovery from the pandemic impact in 2021 the war in Ukraine, the subsequent energy crisis and the high inflation, have created more pressure in the economy, which is still growing but at a slower rate. The services sector and especially tourism sector, which has a strong contribution to the Greek economy, is growing faster than expected and the projections for 2022 are very promising. EU support measures are expected to continue as the energy crisis is expected to influence the economies further and as the impact of COVID-19 eases. The energy plan as Commission states will try to absorb the increase so as to control inflation and help European Households.

EU and Greek government extend measures to support the households, that were directly affected by the pandemic and its aftermath, most measures are extended through 2022 and with the support of banks so that we do not face a new era of NPL's. In addition Greek 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.



Employment was 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 and the subsequent energy and geopolitical crisis the labor market remained 'frozen', with very limited hiring and firing taking place. However, the first quarter of 2022 has seen slight improvement and more is expected as the boost in tourism will be recorded as an increase in employment levels.

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. Greece new investment program wishes to increase digitalization of the state while promoting public investment and large infrastructure projects. Also, as a response to the energy crisis, Greece has started to shift its energy supply from Russia. Additionally, to further improve energy efficiency, its developing renewable energy sources to establish long term energy security and sustainability.

OFFICE MARKET REPORT

Office market in Thessaloniki shown a steady demand despite the COVID-19 impact and the remote work business models applied.

OVERVIEW

Thessaloniki's office market has experienced strong mobility for the last four years and the interest remained strong during the first semester of 2022. It seems, that the demand for offices will remain high for the next years. The increased demand, during the first semester of 2022,, combined with the steadily declining supply, increased also the absorption rate.

THESSALONIKI OFFICE MARKET

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.

The need for Grade A offices remains, in order for new work models can be achieved.

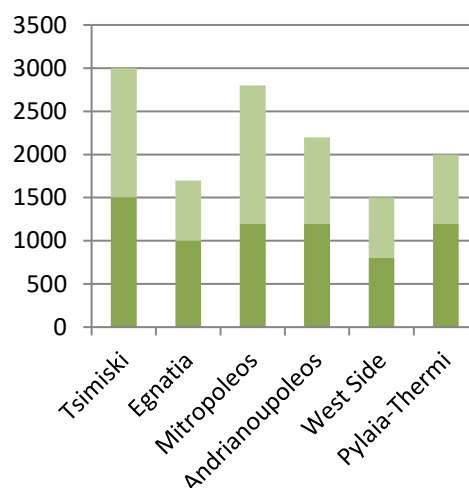
The investment from Pfizer in Thessaloniki has created an important impact, initiating requests from other well known companies for further expansion in Thessaloniki. It is important that 400 employees have already reached Pfizer's Center for Digital Innovation (CDI) in Thessaloniki.

According to publications, the Concentrix company is interested to find offices from 2.000 sqm – 2.500 sqm., the Yource Group from Holland is searching for 1.000 sqm and TTCE is looking to establish its presence in Thessaloniki, too.

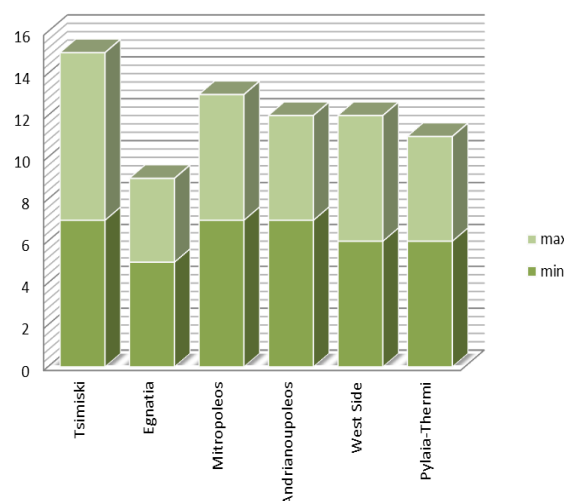
The main factors that make Thessaloniki an attractive destination for such companies are:

- The Location
- The Weather and the conditions of living
- The low cost for the employees

Prime Office Sales €/sqm



Prime office rents €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate

A new entrance in the market that makes sense is the development of IT Hub of Deutsche Telecom. The creation of the new center, which will support the group's activities throughout Europe, brings to the city 300 IT experts from the corresponding center, that was closed in Russia, to whom it is estimated that another 300 Greek workers will work for the specific company as well.

At the same time Thessaloniki is an attractive destination for multinational companies operating in the field of call centers and services which have either already been located in the city, or are looking for premises in order to relocate.

High demand for office spaces has boosted construction activity for office buildings and developers are searching for plots, in order to develop offices and entire buildings for renovation purposes. The most demanded location is the city center of Thessaloniki, but also the East side. Never than less the West side of Thessaloniki gains attractiveness for such developments too, since it is difficult to find similar properties in the city center. In the East side of Thessaloniki many new offices are expected to be developed within the next 4 years.

The main characteristics of the office market, in Thessaloniki, for the first semester of 2022 are:

- Multinational companies search Thessaloniki's market
- The remote work is an option for many companies and the public sector as well
- Companies are prioritizing the wellness of their employees, following new standards in the current or future facilities
- The demand for offices in the city center of Thessaloniki remains high
- The main interest is for tenants to lease the properties but also there is interest from potential buyers
- The investors prefer only autonomous buildings and they do not invest in partial office spaces

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 between € 9-16 / sqm / month for the prime areas and in € 6-11 / sqm / month for the secondary streets. The rental levels depend on the state and the characteristics of each property
- In Western Thessaloniki a very important project by Dimand Real Estate at 26th October street, is the creation of an integrated Business Park. The first phase of the project includes 15.000 sqm of modern offices
- In the Eastern Thessaloniki new projects will be developed over the next years, because there is a lack of available offices. Thus, constructors are looking for suitable plots.





RETAIL MARKET REPORT

The Retail Sector has faced a challenge in the previous years as a result of COVID-19 pandemic, prime locations and shopping malls still hold investors interest. The first semester of 2022, was better than the previous, for the F&B sector because the restrictions concerning COVID-19 were less and there was no lockdown for that period.

OVERVIEW

In the first half of 2022, COVID-19 continued to affect the retail market – with the exception of super markets.

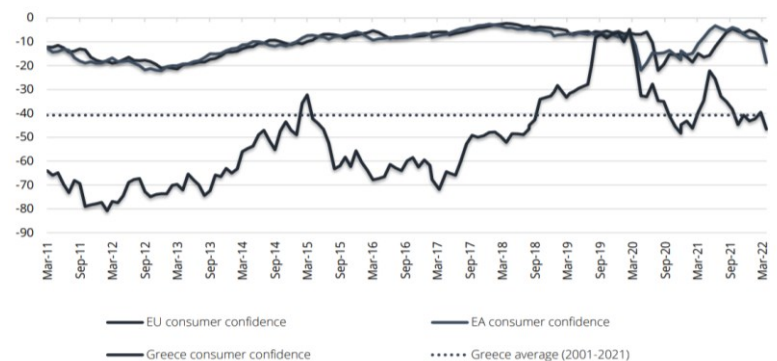
Furthermore, companies, which are in the health sector such pharmacies and companies, which operate in IT sector have also increased their revenues.

The F&B industry did not have many problems concerning the restrictions, due to COVID-19. Thus, restaurants and bars had more customers, compared to previous year, also because of the tourists, who finally were able to travel for business or vacation.

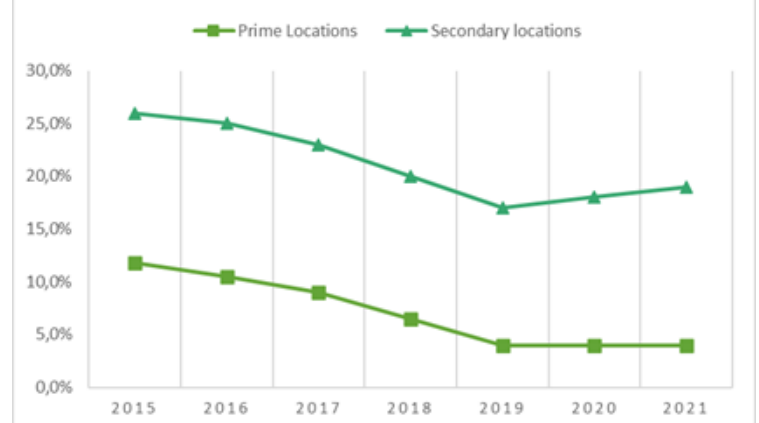
THESSALONIKI RETAIL MARKET

Any forecast for the performance of the Retail Sector for the 2nd semester of 2022 is risky. Although there was an improvement, concerning the COVID-19 situation, the war in Ukraine, the energy crisis and the inflation create a difficult economic environment. Especially in the local markets, secondary areas such as Kalamaria and Evosmos, the retailers are facing great difficulties, because of the decreased visitors' numbers. In the high streets, such as Tsimiski street and Mitropoleos street, the situation is much better, the vacancy rate is very low and the demand is still higher than the supply. In the secondary markets the vacancy rates remain high and existing tenants negotiate rental level.

Consumer Confidence Index



RETAIL MARKET VACANCY RATES



Source: Danos an alliance member of BNP Paribas Real Estate

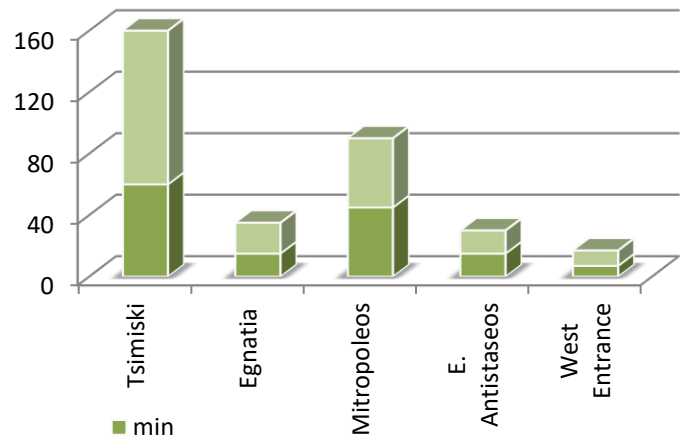
The swift of consumption through e – commerce, due to the pandemic, has been increased during 2022 substantially and since the lift of the measures, it appears, that some customers still show preference to the e-commerce use.

A factor, that currently affects the retail sector, in the high streets, but in the secondary markets as well, is the fact that upcoming occupiers slow down the lease transactions, because they expect the end of war and the decrease of inflation in order to expand their business. Thus, in most cases, they prefer to operate with the existing shops.

The F&B sector had a relatively good semester - in terms of increased revenues because:

- The restrictions concerning COVID-19 were not so many as the previous semester
- Customers wanted to consume more products, after the period of lockdowns & restrictions

Retail Rental Values - Thessaloniki €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate

Investment Properties - Main yields

The yields, for the first half of 2022, for investment properties – basically stores in the high streets, such as in Tsimiski str., range at the level of approximately 5% - 6%, while for the secondary markets in Thessaloniki, such as Toumba - Lampraki, Kalamaria and Pylaia, the yields range from 6%-7,5%.

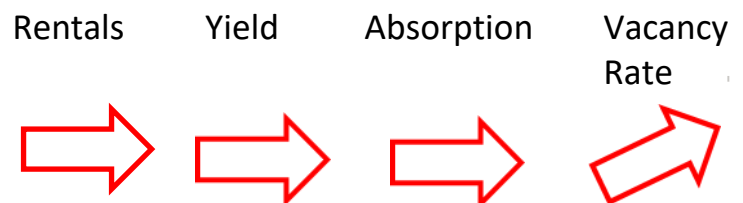
The interest of investors remain high. Basically, they are looking for properties, which are located in prime locations in the city center.

In general, at that period, many owners of investment properties prefer to wait, as they expect a further price increase.

The investors criteria, this period, for properties located in Thessaloniki, are as follows:

- Lease terms
- The sector, in which the tenant operates (e.g. super market is an attractive tenant for the investors)
- The location in accordance to the access
- The general commerciality
- The yield (depends on the location)

Retail Market Trends





LOGISTICS MARKET REPORT

The logistics market in Greece has been under impressive growth over the last years, due to the growing demand and the geopolitical position of the country. However, it is expected that there will be a slowdown in growth due to high demand and the cost of construction for new warehouses, which have boosted purchase and rental prices.

OVERVIEW

The industrial/logistics market in Greece is providing a full range of supply chain services. With their main income coming from warehousing and distribution activities and in addition from organization and management of road transportation. Major projects in the country under development with Athens and Thessaloniki having the most important logistic markets.

LOGISTICS REAL ESTATE MARKET

Over the last semester logistics market in Thessaloniki is still increasing its figures and gathers the attention of investors. The swift to e-shop consumptions as a result of the pandemic has created a boost in demand for logistics centers. Companies are interested to lease or to buy such properties with surface sizes for rent ranging between 1,500-3,000 sqm in relatively urban areas. In most cases occupiers requirements include office space as well. But it is expected, that there will be a slowdown in growth, within the next semester.

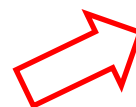


Industrial Market Trends

Rentals

Absorption

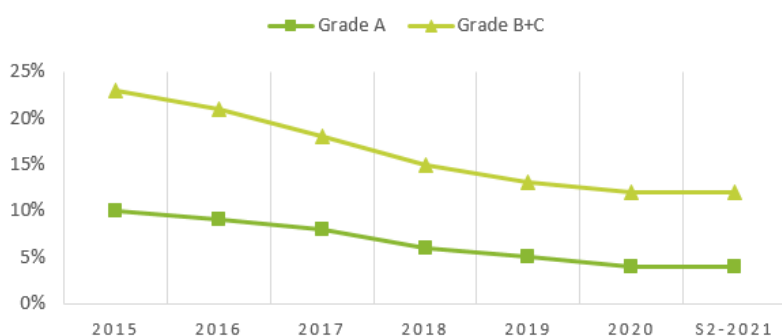
Yields



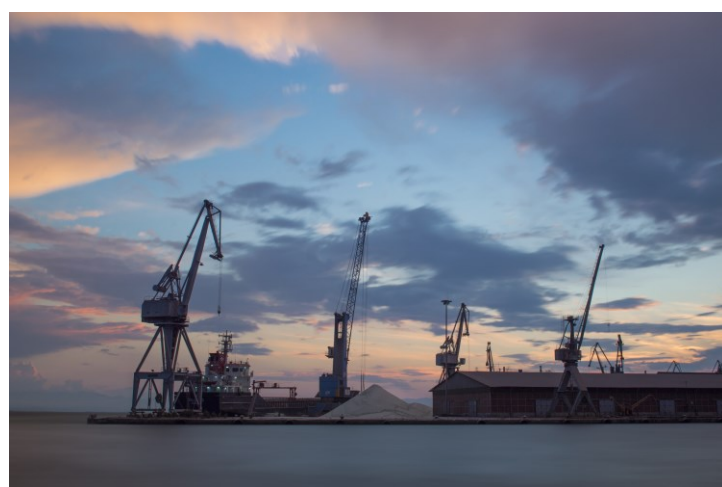
The lack of a specialized logistics market was clearly depicted during the boom of e-commerce over the last years. Thessaloniki is trying to increase attractiveness as a leading regional logistics hub. In order to achieve that goal, should improve the international trade lines, expand, upgrade and build new logistic infrastructures and, finally, invest in technology, innovation and human capital.

Logistics areas such as Kalohori and Sindos are already under the investors interest, this trend is expected to be continued in the next year.

VACANCY RATES LOGISTICS & INDUSTRIAL SPACES



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 2022 especially after COVID-19 pandemic and its impact in Real Estate market.



RESIDENTIAL MARKET REPORT

The increase of Residential Market performance has continued in the first semester of 2022. Residential Property Market, despite the pandemic and the energy crisis, is showing another year of growth. The demand remained on high levels, while the prices in the market especially in popular areas continued their rising trend of the previous 4 years.

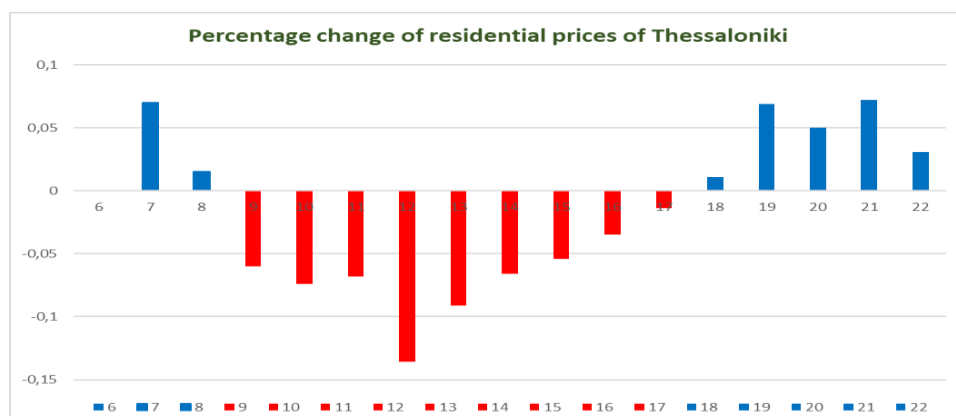
OVERVIEW

Transactions activity in the Residential Market boosted in the past by Airbnb and Golden Visa. Even though both the above factors witnessed decline, due to restrictions imposed as a result of the spread of COVID-19, the sector has managed to keep the uprising trend of the asset values, because many local players found the opportunity to get into the market.

THESSALONIKI RESIDENTIAL MARKET

The prices of residential units in Thessaloniki area remained on a rising path for the first semester of 2022, as shown on the side graph. The demand was focused mainly for flats in the center of Thessaloniki and in the east side of the City's municipality. The properties in the city center are bought mainly for investment purposes, while in the east municipality market, buyer profile is mainly an owner occupier one.

A far as the other areas besides the city center, the most popular for buyers are: in the east side -Thermi, Pylaia and Kalamaria, and in the west side – Oraiokastros, Sykies and Polichni.



Source: Bank of Greece

Thessaloniki's residential market demand remained high over the last semester. The potential buyers are the following:

- Funds mainly from Israel or the Balkans
- Local investors, looking for flats in the city center, with a surface from 40 sqm – 150 sqm
- Developers, who are looking mainly for autonomous buildings, in order to develop studios for students or flats for limited stay (1-6 months)
- Parents, who try to take advantage of the new law concerning the tax free donation to their children - up to € 800.000. Thus, in this case they are looking for flats for their children
- Parents from other areas, whose children are coming to study in Thessaloniki and buy property instead of renting. They consider this option as more useful and profitable.

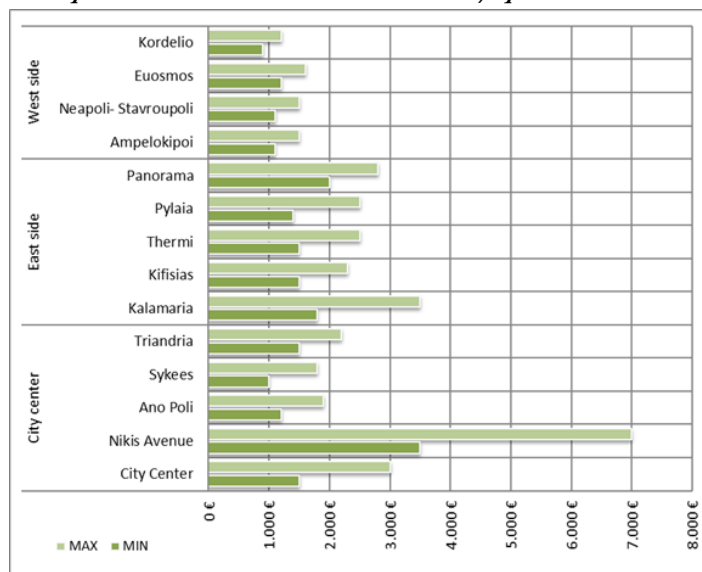
The investors are looking for properties in top locations.

The factors, that will affect the residential market in Thessaloniki, over the forthcoming months are:

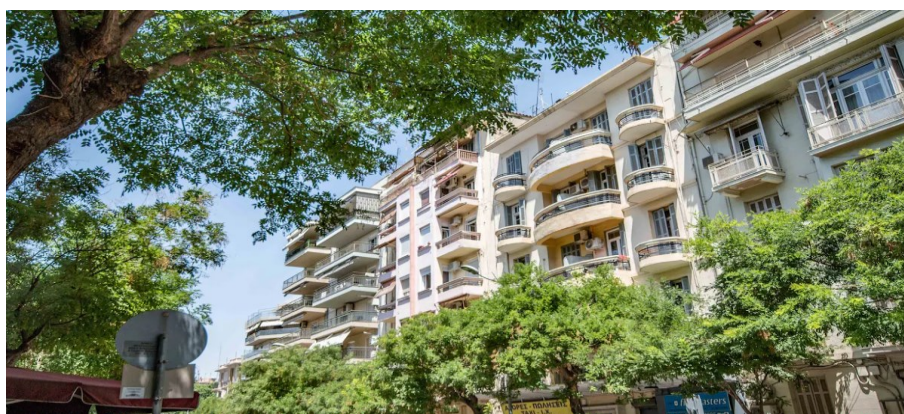
- The continuance of rising trend in the mortgage loans numbers
- The available total stock of residences will play important role and is currently affected mainly by two factors: On one hand there is still a low number of newly built residences offered but on the other hand there is a raising number of properties, that are offered through auction processes. So in total there will be no lack of stock.
- The lowered taxation (e.g. the decrease of the Property Tax, ENFIA, will encourage potential buyers)
- The rising inflation, that probably will push investors to search for more "safe" investments and also better returns. Since returns of other "safe" investments as deposits, are extremely low, the real estate is the obvious option.



Apartments sale values - Thessaloniki €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate



S1 2022 MARKET INSIGHT REPORT



TOURISM & HOTEL MARKET REPORT

2022 was, in the beginning, a year with uncertainty for Tourism Industry, because of pandemic and also due to the recent event of Ukraine War and rising energy prices. However, because of the precautions measures, the spread of COVID-19 variants was very much kept away and along with governmental measures of support to economy, the current situation is surprisingly good and the prospects are much more optimistic.

OVERVIEW

The tourism industry in Greece according to SETE is on the upswing with revenues approaching or even surpassing the record year of 2019. The first quarter of 2022 Greece welcomed 1.080.350 visitors and that was a raise of 400% compared to 2021. Totally up till April, the temporary figures show a raise of 1.000% in receipts and 884,3% in arrivals. Especially the Hotel Revenue Index in May had a surprisingly raise of 680% compared to 2021. There is an optimistic forecast for an increase of revenues for 2022, even by 10% compared to 2019 and the country's tourism revenues will approach 20 billion euros, compared to 18.2 billion euros before the pandemic. If this goal is achieved, with an increase of 10% compared to 2019, these positive performances will have a multiple benefit for the Greek economy with +3 points in the country's GDP.

THESSALONIKI AIRPORT "MAKEDONIA" - 2022 vs 2021

Passengers	Domestic			International			Total		
Month	2022	2021	%Δ	2022	2021	%Δ	2022	2021	%Δ
JANUARY	97,811	30,924	216.3%	122,788	21,326	475.8%	220,599	52,250	322.2%
FEBRUARY	106,366	29,364	262.2%	128,441	14,993	756.7%	234,807	44,357	429.4%
MARCH	129,581	35,143	268.7%	189,332	22,083	757.4%	318,913	57,226	457.3%
APRIL	155,645	44,358	250.9%	306,015	34,426	788.9%	461,660	78,784	486.0%
MAY	166,483	73,226	127.4%	385,458	76,792	402.0%	551,941	150,018	267.9%
TOTAL SKG	655,886	213,015	207.9%	1,132,034	169,620	567.4%	1,787,920	382,635	367.3%

Source: FG Traffic Data Management-Fraport Greece

Thessaloniki Hotel & Tourism Market

The tourism and hotel sector in Halkidiki and Thessaloniki remained in the radar of foreign investors, as it is providing interesting investment opportunities and competitive advantages.

New Hotel Openings

Till 4th of June the new entries of hotels in Thessaloniki and Halkidiki were in total 57, numbering 3,387 rooms and 6,942 beds. The 5 star hotels that entered the market in Halkidiki are 7 and in Thessaloniki 5.

Especially on 29 of April 2022, a new 5* boutique hotel, the “On Residence” opened in the city center of Thessaloniki, in Nikis Avenue, next to Aristotelous square and the grand opening will take place in September. 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.

Also in 20/12/2021 the “S HOTEL” in Kalapothaki street opened its doors and welcomed its visitors to its 28 rooms.

The Marriott Group will operate in 1st of July its first hotel in Thessaloniki in 45, Vasileos Irakliou street, next to PLATEIA Commercial-Business Center. It is a 5* hotel, with a capacity of 100 rooms over 9 floors, with a restaurant and a café-bar in the ground floor, meeting rooms, gym and a private dining area in the first floor and a café bar/ roof garden in the ninth floor.

As far ongoing projects and forthcoming big new entries in early 2023 there will be the 2 hotels of Brown Hotels. The first one will be ex Vienna Hotel, renamed in Brown Salonica, on Egnatia Street with 82 rooms and the 2nd one is on Kalapothaki street and will be under Lighthouse brand with 138 classic rooms and 51 condo rooms.



Hotels that entered the market in 2022 in Thessaloniki & Halkidiki							
		5*	4*	3*	2*	1*	Total Sum
Thessaloniki	Hotels	5	5	8	2	2	22
	Rooms	384	303	620	88	103	1.498
	Beds	736	609	1.190	169	258	2.962
Halkidiki	Hotels	7	2	10	4	12	35
	Rooms	910	71	489	106	313	1.889
	Beds	1.924	188	1.066	224	578	3.980

Source: Hellenic Chamber of Hotels, Research Institute for Tourism

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