



THESSALONIKI PROPERTY MARKET

1st Semester 2017



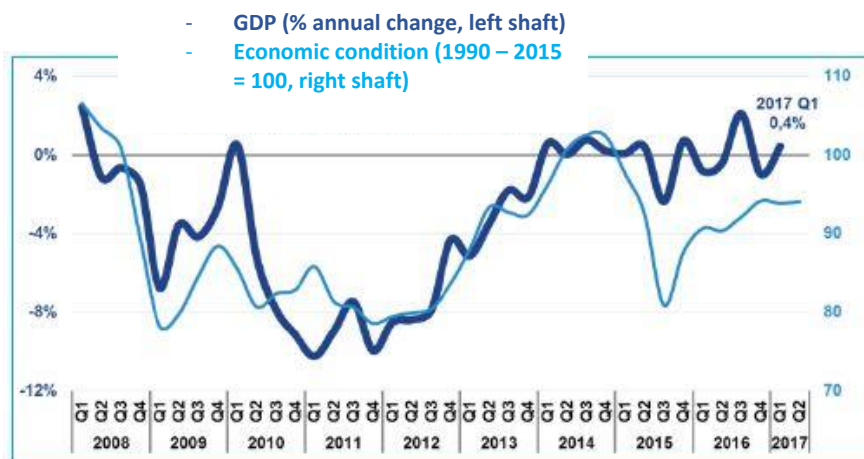
Economic Overview

According to the data of the Greek Statistical Authority (provisional data, 1st quarter of 2017), Gross Domestic Product (GDP) based on seasonally adjusted data showed an increase of 0,4%, compared to the fourth quarter of 2016. In comparison to the 1st quarter of 2016 there was an increase of 0,4% (QUARTERLY NATIONAL ACCOUNTS - ELSTAT, 2017).

The agreement for the consummation of the second evaluation seems to have positively affected the economic climate in June 2017, which creates stronger projects for recovery. The dynamism shown by exports, industrial production, retail sales and tourism may have a positive effect on the other sectors, and many investment opportunities are estimated to be tapped by private funds. If the smoothness of the economy is maintained, it is likely to confirm growth forecasts of more than 1.5% in 2017.

Macroeconomic Factors

In the first quarter of 2017, GDP grew by 0.4% compared with ELSTAT's initial estimations of -0.5%, mainly as a result of increased private consumption and investment stimulation, while growth increased of imports has been negative.



Source: ec.europa.eu

Economic Overview

Finally, regarding the unemployment there is a slight decrease in the years 2016 and 2017.

GREEK ECONOMY – EUROPEAN COMMISSION PROVISIONS				
ECONOMIC INDICATORS		2016	2017	2018
GDP (%)		0,0	2,1	2,5
INFLATION (%)		0,0	1,2	1,1
UNEMPLOYMENT (%)		23,6	22,8	21,6
BALANCE OF STATE BUDGET (% GDP)		0,7	-1,2	0,6
PUBLIC DEBT (% GDP)		179,0	178,8	174,6

A milestone agreement for the privatization program of the Greek Republic, with overall multiple benefits expected for the Greek economy, is concluded on 11th of April with the concession of the 14 regional airports by the Greek State to the FRAPORT AG - SLENTEL Ltd. Consortium.

The completion of the concession agreement of the airports for 40 years between the Greek government and Fraport Greece was signed by the competent ministers of Finance, Mr. Euclides Tsakalotos, Infrastructure and Transport, Mr. Christos Spirtzis, and National Defense, Mr. Panos Kammenos. On behalf of HRADF, the agreement was signed by its' CEO, Mr. Antonis Leousis.

Within the Consortium obligations falls the upgrading of the airports within the first 4 years of the concession, so as to comply with objectively defined Level C criteria, as specified by IATA and, subsequently, to maintain and preserve the said service levels for the whole duration of the concession. Infrastructure and facilities to be built by the investor are also placed under the ownership of the Greek government and are to return to the latter on the expiry of the concession.

Thessaloniki Property Market

The acquisition of the 67% of the shares of Thessaloniki Port Authorities together with concession agreement of the airports, that includes in Phase A the “Makedonia Airport”, are expected to enforce the Economy of Thessaloniki and its Market as well.

In the IOBE study titled: ***"Economic Impact of the Privatization of the Thessaloniki Port Authority"***, the importance of the Port of Thessaloniki is emphasized both for Greece and for the wider region of Southeastern Europe. The current very difficult financial conditions in Greece, as well as the constraints faced by the Greek State in the international capital markets, prevent the funds required to implement the planned investments in the port. In this context, the allocation of a majority stake in ThPA to a strategic investor is expected to lead to increased investment and port activity, with multiplier effects across the Greek economy.

The IOBE study points out that most of the effects are related to the Central Macedonia economy. The GDP of the region in which the port of Thessaloniki is located has increased over the entire decade by €928 million to €1.3 billion in terms of net present value. Respectively, employment in the region is increased by 31 to 41 thousand man-years of work, depending on the conditions that will prevail over the next decade.

The sale of Modiano Enclosed Market to “One Outlet S.A.” was completed, following the signing of the relevant agreement, by which HRADF transferred 43.63% of the indivisible ownership of the property to the Investor.



Metro works are in progress. Until 1st semester of 2017 the 80% of civil engineer works are concluded, the 35% of the Architect engineer and the 6% of the electrical engineer. The total concluded percentage is 55% (from 41% that was on the February 2016).

The buyer's investment plan and planned investments are expected to radically redevelop the image of the property. The benefits are expected to be multiple as both the building itself and the area as a whole will be upgraded; on the other hand, a new impetus will be given to the central market of the city. This investment, with respect to the tradition and history of the Modiano Enclosed Market, will allow the property to regain its significance for the local society and economy.

Office Sector

Thessaloniki's office sector is stable during the 2nd semester 2016 with small samples of growth in demand.

The increase in demand was mainly for the leasing of office spaces and high quality offices in the city center.

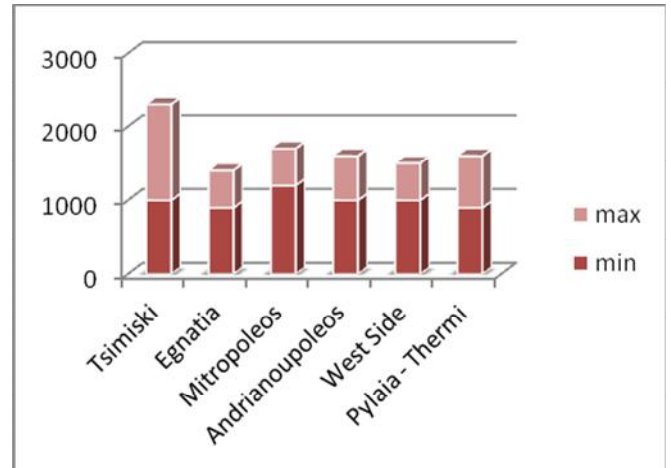
The demand is primarily for surface areas of 100 - 200 sq m, provided that they meet some basic requirements.

There are of course some companies that take advantage of the low values in the market in order to buy offices spaces.

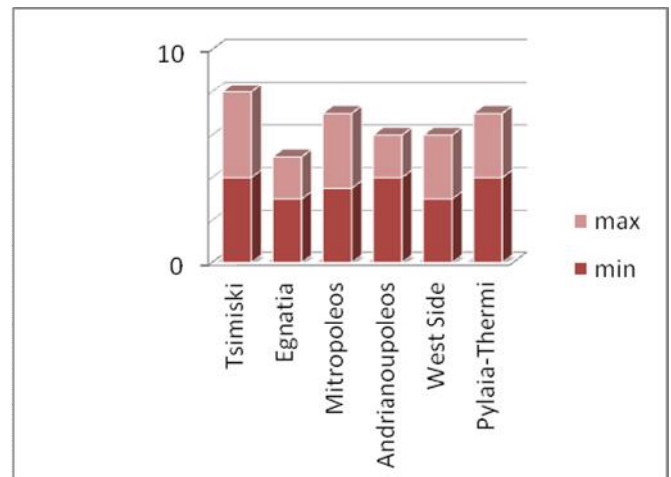
The prime yields for office spaces remained between 8,0 - 9,0%. There is no investment interest for office spaces in Thessaloniki's market, mainly due to the poor quality of the properties, while few international companies operate in the city and attract investor's interest.



OFFICES



Prime Office Sales €/ sqm



Prime office Rents €/sqm

Market trends	
Rents	➡
Yields	➡
Vacancy Rate	➡
Absorption	➡

Retail Market

Thessaloniki retail market showed signs of recovery mainly after the 2nd semester of 2015 mostly in the streets of high demand.

During 2017 this trend continued, brought a slight increase in rents in Tsimiski Str. and the term of the “Key money” returned on the negotiations.

National Leasing announced a tender for the acquisition of Fokas building on 64, Tsimiski Str. The building is located on a high commerciality position in the city center. The date of the tender is on 7th July and the starting price is €6,8mn.

Another historical building Olympos Naousa, located on Nikis Avenue in the city center, is expected to be sold through a tender procedure. The owner is Eurobank and the building is an old well known restaurant of the Thessaloniki.

The availability of vacant stores in Tsimiski is too low and the absorption rate increased.



FOKAS



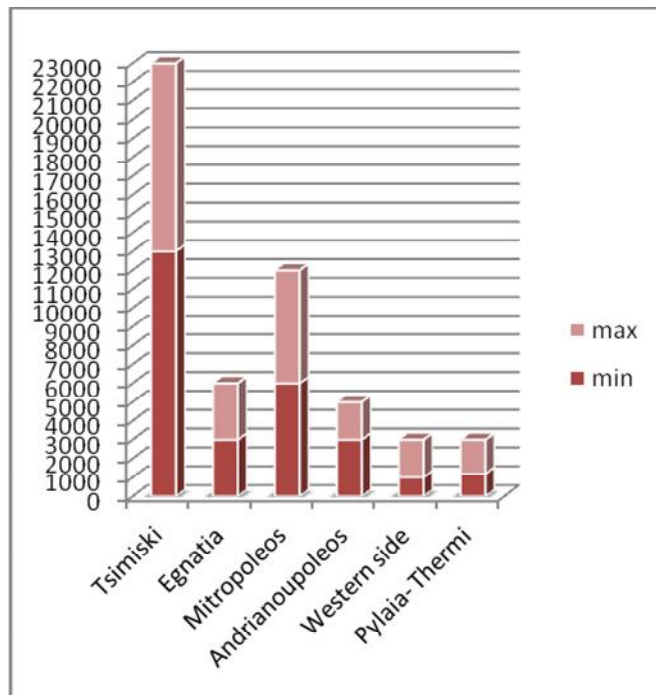
OLYMPOS NAOYSA

Retail Market

During June 2017, Fais Group acquired one of the most established company in the field of footwear and accessories in Greece and Cyprus, having a significant presence with the stores KALOGIROU, TOD'S, SALVATORE FERRAGAMO, HOGAN, CHARALAS, NINE. The first Kalogirou shop was opened in 1890 and, in the course of time, its activities widened, forming important partnerships with many partners both in Greece and abroad.

The first Kalogirou Outlet in Thessaloniki is expected to open its gates on the 2nd semester of 2017 in One Salonica Outlet center.

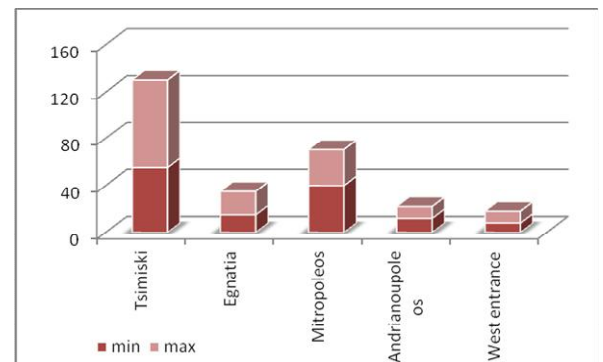
As far as the local markets concerns they also seem to have a slight increase since the demand has been improved. The vacancy rates in these markets are also decline and mostly national chains have start operation.



Shop sale values - Thessaloniki €/ month

Market trends	
Rents	↑
Yields	↓
Vacancy Rate	↓
Absorption	↑

Shop rent values - Thessaloniki €/ month



KALOGIROU

Residential Market

According to the research of Bank of Greece the residential values in Thessaloniki and generally in Greece, have begun to stabilize. It is important to note that since the beginning of the crisis until today the overall decline in house values in Greece exceeds 43% and approaches 45% in the two main major urban centers of Athens and Thessaloniki.

Πίνακας II.7. ΝΕΟΣ ΔΕΙΚΤΗΣ ΤΙΜΩΝ ΔΙΑΜΕΡΙΣΜΑΤΩΝ ΚΑΤΑ ΓΕΩΓΡΑΦΙΚΗ ΠΕΡΙΟΧΗ: ΣΥΝΟΛΟ
Table II.7. NEW INDEX OF APARTMENT PRICES BY GEOGRAPHICAL AREA: TOTAL

Περίοδος	Αθήνα Athens			Θεσσαλονίκη Thessaloniki			Άλλες μεγάλες πόλεις Other cities			Λοιπές περιοχές Other areas		
	Δείκτης Index 2007=100	Αθήνα (%) Μεταβολή / Change		Δείκτης Index 2007=100	Θεσσαλονίκη (%) Μεταβολή / Change		Δείκτης Index 2007=100	Άλλες μεγάλες πόλεις (%) Μεταβολή / Change		Δείκτης Index 2007=100	Λοιπές περιοχές (%) Μεταβολή / Change	
		Προηγούμενη περίοδος Previous period	Προηγούμενο έτος Previous year		Προηγούμενη περίοδος Previous period	Προηγούμενο έτος Previous year		Προηγούμενη περίοδος Previous period	Προηγούμενο έτος Previous year		Προηγούμενη περίοδος Previous period	Προηγούμενο έτος Previous year
2006	94,2	...	...	93,4	...	...	94,0	...	...	95,6	...	...
2007	100,0	6,2	6,2	100,0	7,0	7,0	100,0	6,3	6,3	100,0	4,6	4,6
2008	100,9	0,9	0,9	101,5	1,5	1,5	101,8	1,8	1,8	103,3	3,3	3,3
2009	96,3	-4,6	-4,6	95,4	-6,0	-6,0	99,0	-2,7	-2,7	101,3	-1,9	-1,9
2010	93,2	-3,2	-3,2	88,4	-7,4	-7,4	93,7	-5,3	-5,3	95,4	-5,8	-5,8
2011	87,2	-6,4	-6,4	82,4	-6,8	-6,8	89,9	-4,1	-4,1	91,2	-4,4	-4,4
2012	76,9	-11,8	-11,8	71,2	-13,6	-13,6	80,3	-10,7	-10,7	80,7	-11,6	-11,6
2013	67,5	-12,3	-12,3	64,7	-9,1	-9,1	71,9	-10,4	-10,4	73,3	-9,1	-9,1
2014	61,1	-9,4	-9,4	60,5	-6,6	-6,6	67,2	-6,6	-6,6	69,7	-4,9	-4,9
2015	57,9	-5,3	-5,3	57,2	-5,4	-5,4	63,8	-4,9	-4,9	66,5	-4,6	-4,6
2016*	56,8	-1,8	-1,8	55,2	-3,5	-3,5	62,4	-2,3	-2,3	64,5	-3,1	-3,1

The higher demand for buying a house is observed in houses up to 130 sq m and in older houses.

The demand from foreign investors for visa purposes still exists, while the majority of them come from Turkey.

The most expensive areas in Thessaloniki have suffered bigger fall in the values of the houses, while it is indicative that Nikis Avenue, which was traditionally the most expensive one of Thessaloniki, has apartments up to €1,000 / sq m, while 10 years ago the corresponding prices were at €14,000 / sq m.

Finally, the residential market is constantly moving as far as the rents concern. In any case, the location and benefits that affect the family budget play a key role.

Logistics & Industrial Market

Greek privatization fund HRADF declared a German-led consortium comprising **“Deutsche Invest Equity Partners GmbH”, “Belterra Investments Ltd.”** and **“Terminal Link SAS”** as the preferred bidder for the acquisition of 67% stake in Thessaloniki port.

Deutsche Invest Equity Partners is a German private-equity, **Terminal Link** is a subsidiary of French CMA CGM – container transportation and shipping company owned by a French-Lebanese businessman Belterra **Investments** belongs to the Russian-Greek investor Ivan Savvidis.

According to a statement by Greece’ Privatization Fund, *“in a landmark development for the HRADF, the Hellenic Republic’s Privatization Programme and Northern Greece, the consortium comprising «Deutsche Invest Equity Partners GmbH», «Belterra Investments Ltd.» and «Terminal Link SAS» submitted an improved financial offer for the acquisition of 67% of Thessaloniki Port Authority SA, as part of the respective international competitive process.”*

The improved financial offer envisages payment of a consideration of EUR Two Hundred Thirty-One Million Nine Hundred Twenty-Six Thousand (€231,926,000) for the acquisition of 67% of shares in ThPA S.A.

The total value of the agreement amounts to **€1.1 billion** and includes among others the aforementioned €231,926,000 offer, the mandatory investments amounting to €180 million over the next seven years and the expected revenues from the Concession Agreement for the Hellenic Republic, in an expected amount in excess of €170 million.



LOGISTICS CENTER



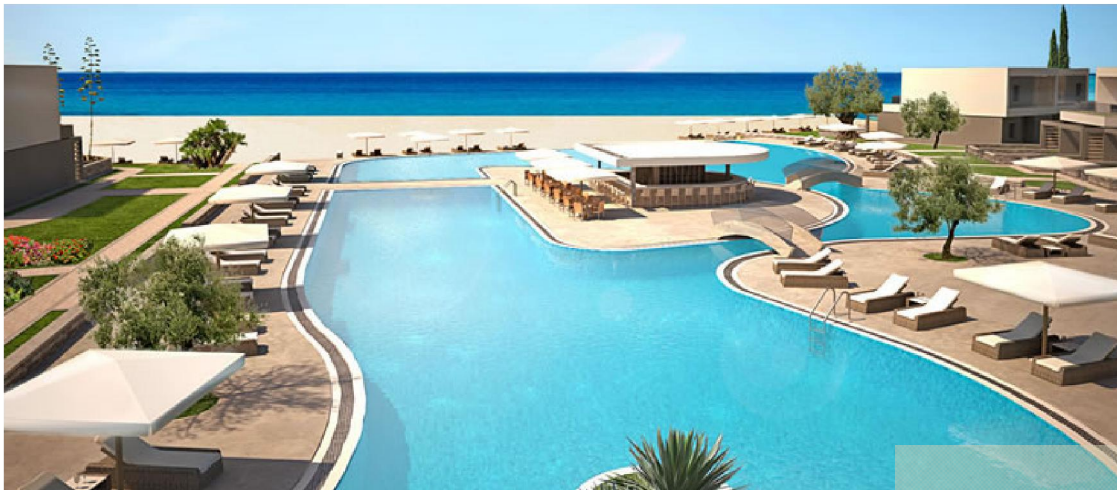
INDUSTRIAL MARKET

Hotel - Tourism

An increase of up to 10% is expected to be recorded this year by incoming tourist traffic in Chalkidiki, where new investments totaling €350 million have been planned for the operation of high-class hotels.

This was mentioned, among other things, by the President of the Tourist Organization of Chalkidiki and the Association of Hotels in Chalkidiki, Grigoris Tassios, speaking at an event organized by the Municipality of Kassandra. This year, the hotel **Eagles Villas** with a capacity of 42 villas of the Tor Hotel Group Group, located in a short distance from Ouranoupolis and Sani Dunes with a capacity of 136 rooms at the Sani Resort are starting operation.

At the same time, Douros (Eurotel) plans to build 2 more hotels in Chalkidiki. Douros Group has already completed the construction of the Blue Lagoon Princess in 2015.



Sani Dunes, opened in June 2017, the new Sani Dunes provides a sophisticated atmosphere right next to Sani Marina.



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