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ANNUAL REPORT 2015

MACROECONOMIC Developments & REAL ESTATE TRENDS

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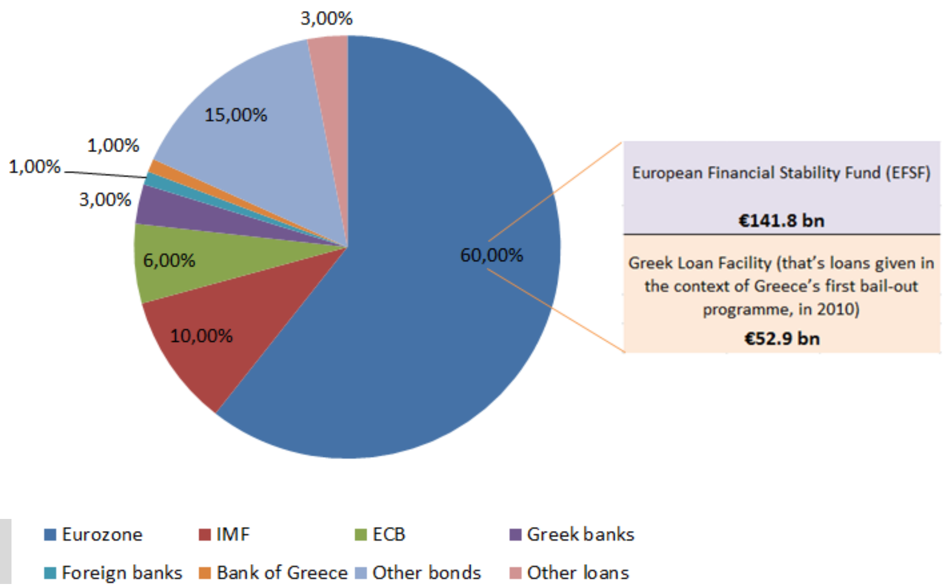
MACROECONOMIC DEVELOPMENTS

On more than one count, year 2015 was quite cataclysmic for Greece, politically and economically. On Jan. 15th, a left-wing government came to power and proceeded to renegotiate Greece's rescue programme with the country's sovereign creditors, aka the 'troika': the European Commission, the European Central Bank, and the IMF. (Later in the year they were joined by the European Stability Mechanism, or ESM.)

Later, on June 27th the Greek government broke negotiations with the troika regarding the terms of a third bail-out package, and the Greek PM announced a national referendum on the issue of acceptance or rejection of those terms. On June 28th the Bank of Greece imposed capital controls on the Greek banking system to stave off an imminent bank run in the face of a very possible Grexit. On June 30th Greece failed to make a scheduled IMF loan repayment and then, on July 5th the referendum resulted in 61.3% of the voters rejecting the bail-out terms which Greece's creditors had offered until then.

At that moment, Greece's debt was about €323 bn, and was owed to:



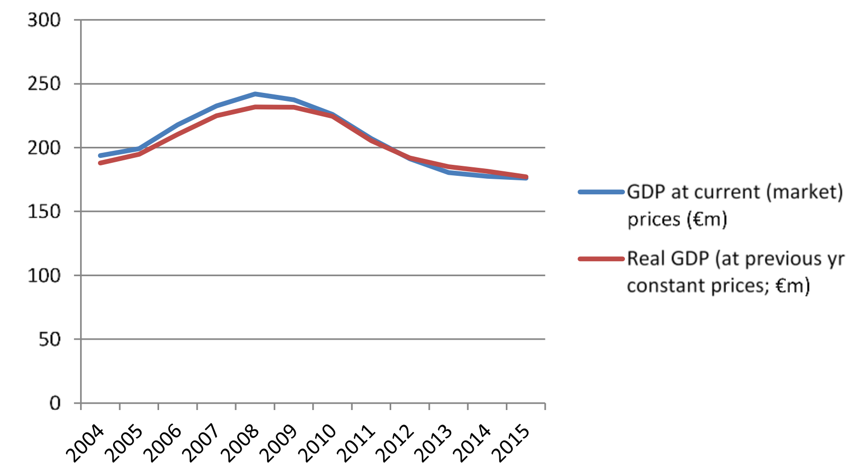
Source: BBC, edited by GLP Values, a member of GVA Wordlwide

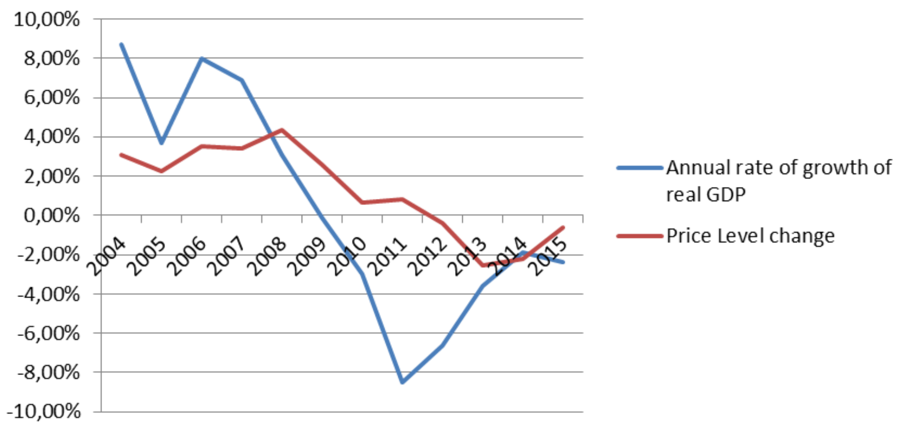
Nevertheless, on July 13th the Greek PM fully agreed on new terms demanded by Greece's sovereign creditors in return for a third rescue package which Greece desperately needed by then, the alternative being Grexit. The new terms were incorporated in a third Memorandum of Understanding (MoU) between Greece and her sovereign creditors, which was signed on August 14th. Finally, a snap national election on Sept. 20th resulted in another victory for the governing left-wing party, which was once again able to form a coalition government with a right-wing party. Since then, the new government has had to face the daunting task of implementing the terms of the third MoU, which it has signed.

The year-end found the debt of Greece's central government at €321,332.16 m., or 182.6% of the country's nominal GDP. The corresponding figures for 2014 were €324,127.88 m., or 182.5% of GDP.

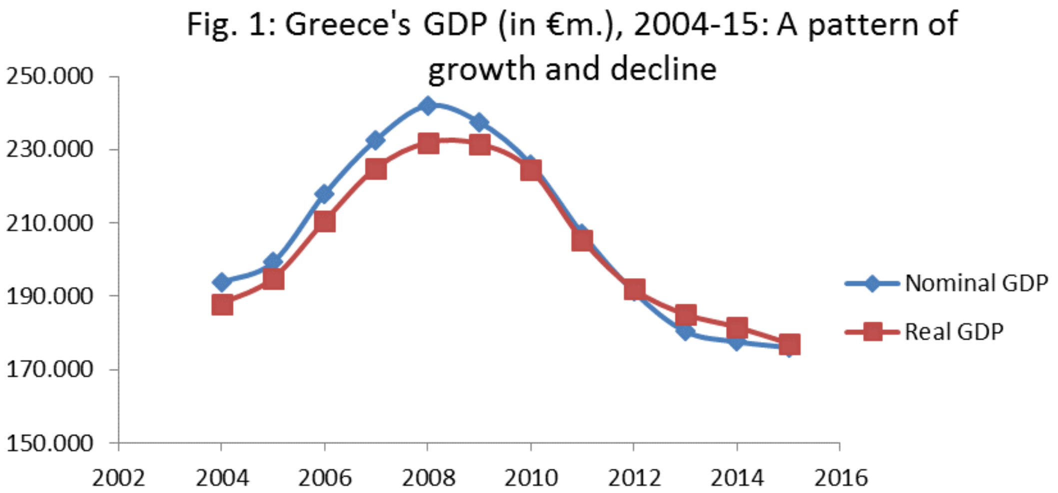
These upheavals caused a further drop in Greece's real GDP by the end of 2015 (-2.4% in relation to 2014). (See Table 1 & Fig. 1.)

Table 1: Greek GDP, 2004-15





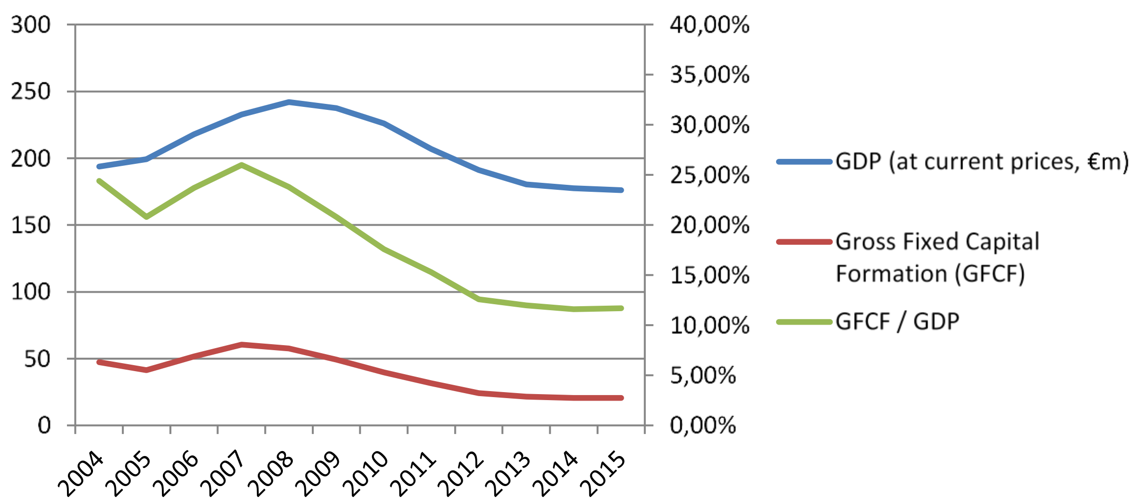
Source: Hellenic Statistical Authority. Data for 2011-15, edited by GLP Values, a member of GVA Worldwide



The physical investment picture

It is well-known that capital investment (aka Gross Fixed Capital Formation, or GFCF) is that component of total spending which is most conducive to long-term sustainable growth. In Greece the percentage of GFCF to GDP was 11.7% in 2015 (and 11.6% in 2014). Knowing the importance of capital investment for a country's economic growth and jobs, that 0.1 p.p. rise in 2015 is certainly welcome, until one considers the almost continuous decrease in that percentage since 2004 (see Table 2 & Fig. 2), and the fact that the corresponding figure for, say, 2009 (start of Greece's current crisis) had been 20.8%.

Table 2a: Greece's GDP & GFCF, 2004-15

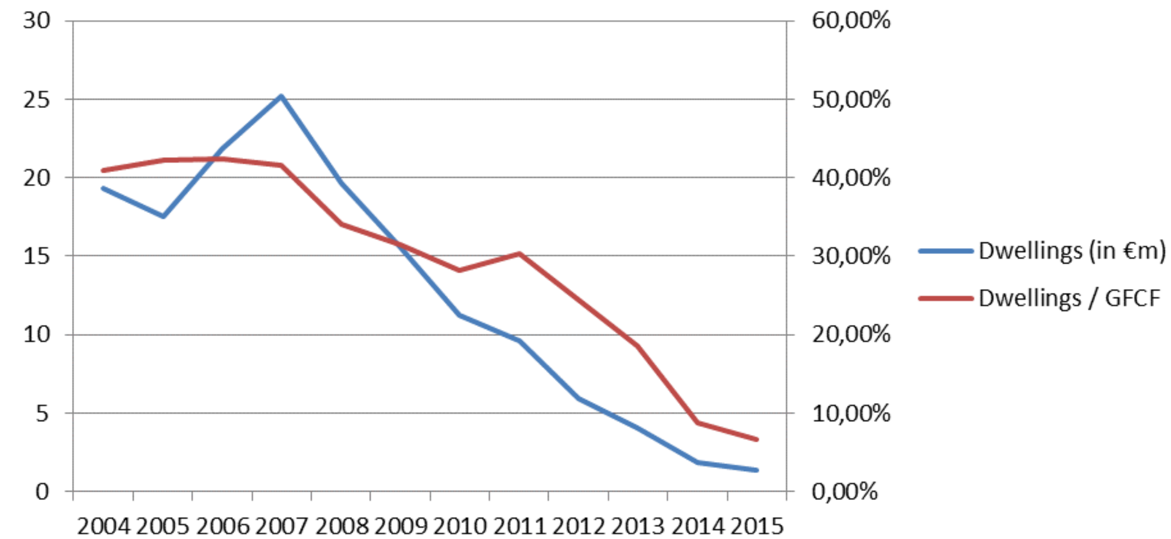


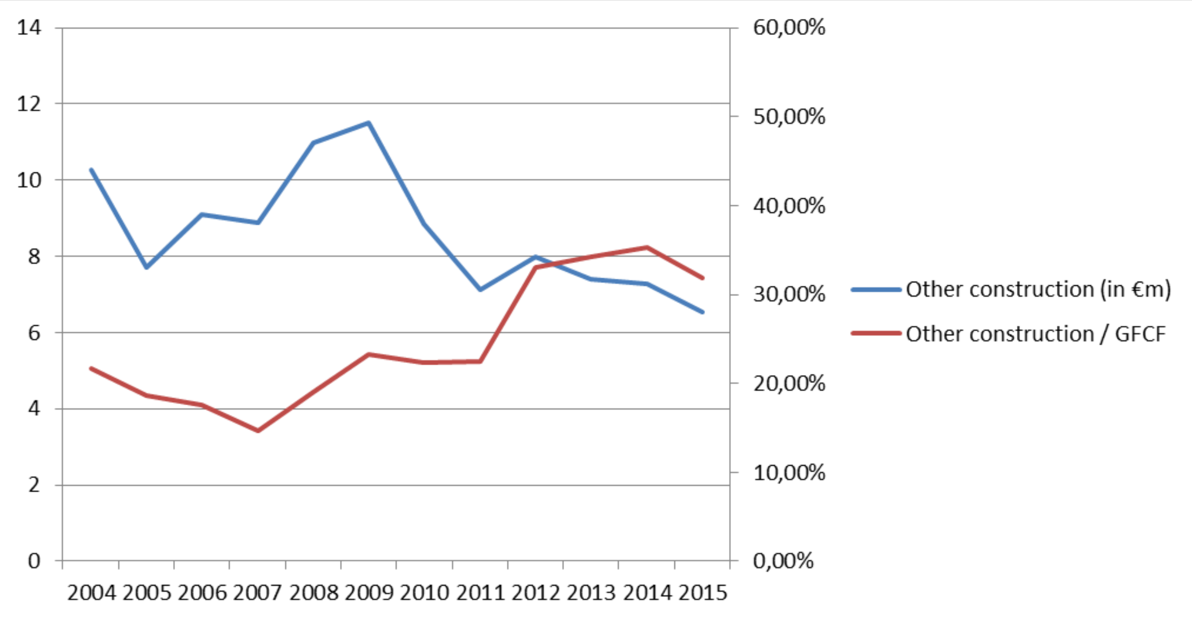
Investment in dwellings and other construction

Most economists agree that the single most important component of physical investment (or GCFC) is investment in dwellings and other construction, taken together. Greece is no exception. The crisis has taken its toll here too, however. Investment in dwellings in, say, 2006 was 42.4% of total investment; by 2014 it had dropped down to 8.8%, and in 2015 down to 6.6%. 'Other construction' (see Table 2b & Fig. 2b) has fared better, but only because its euro value has shown much less volatility over the 2004-2015 period than investment in dwellings and has done so in the context of a shrinking amount of total investment. Nevertheless, throughout the 2004-15 period the sum of dwellings and other construction has remained the single most important component of total investment (followed by metal products and machinery).

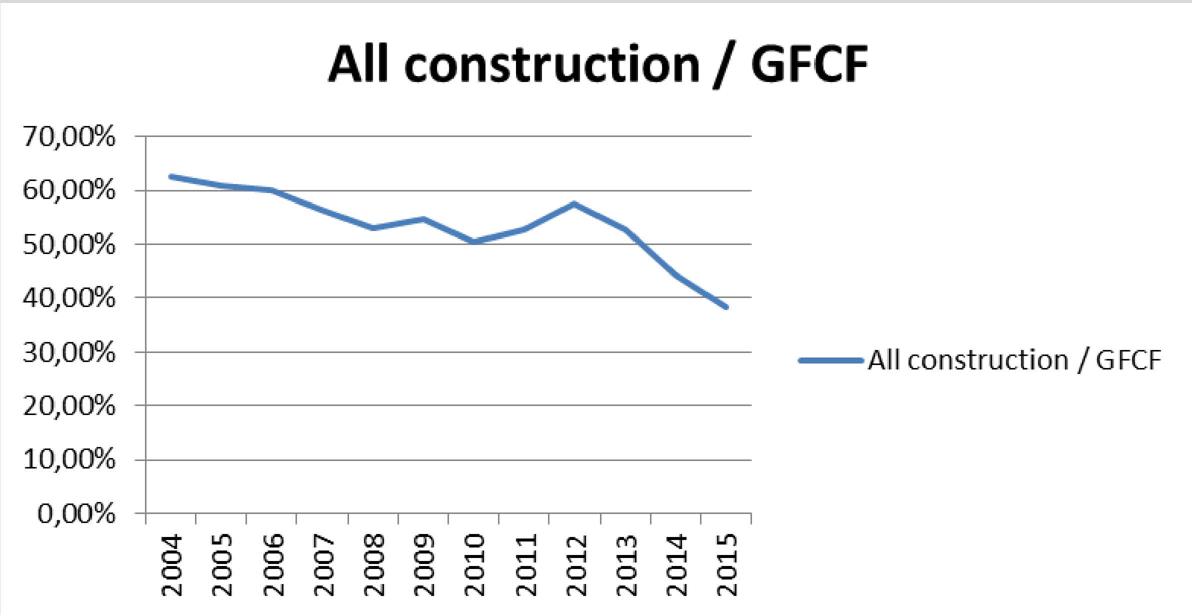
More broadly, the volatility (as measured by the standard deviations of the above ratios) of the dwelling sector in the 2004-15 period was 12.5% around the mean and that of 'other construction' was 7.2%. That of GFCF to GDP was 5.6% (see Table 2a). Thus, not surprisingly either, the volatility of investment in dwellings has been significantly larger than that of 'other construction'. This makes the dwelling sector a much more sensitive gauge for the health of the real-estate sector than, say, other construction. Looked at another way, in 2004 the ratio of dwelling investment to GFCF was almost double that of 'other construction' to GFCF, whereas in 2015 it was the latter ratio that was nearly five times larger than the former. (See Table 2b.) So the crisis-caused collapse of Greece's real-estate sector, as measured by the collapse of the dwelling sub-sector, continued in 2015.

Table 2b: Greece, 2004-15: Real-estate-related components of Gross Fixed Capital Formation (GFCF)





14
12
10
8
6
4
2
0
60,00%
50,00%
40,00%
30,00%
20,00%
10,00%
0,00%
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
Other construction (in €m)
Other construction / GFCF



All construction / GFCF
70,00%
60,00%
50,00%
40,00%
30,00%
20,00%
10,00%
0,00%
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
All construction / GFCF

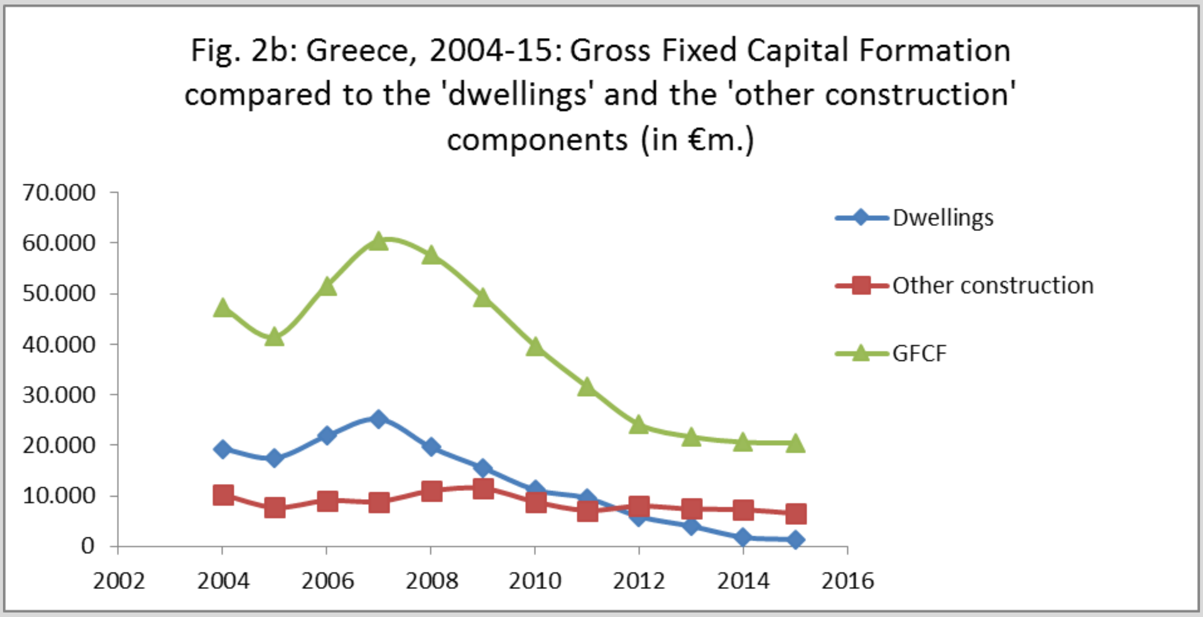


Fig. 2b: Greece, 2004-15: Gross Fixed Capital Formation compared to the 'dwellings' and the 'other construction' components (in €m.)
70.000
60.000
50.000
40.000
30.000
20.000
10.000
0
2002 2004 2006 2008 2010 2012 2014 2016
Dwellings
Other construction
GFCF

Dwelling and other real-estate prices

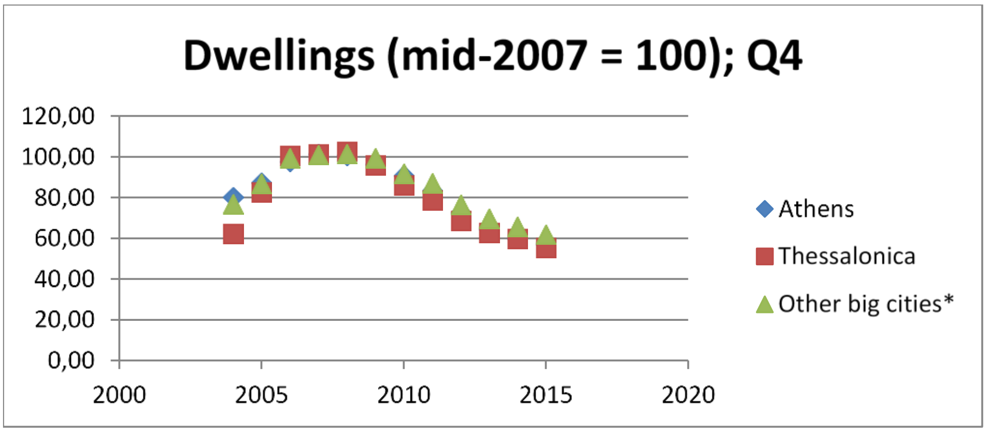
The downward spiral of construction investment in Greece since 2009, esp. as regards dwellings, has been the result of two factors: (a) The continuing recession since 2009 (i.e., continuous drops in real GDP – see Table 1) and the concomitant explosion in unemployment; (b) Steep rises in property taxation over the same period –probably the heaviest in the world, in terms of their impact on ability to pay. (See GLP Values, Sept. 2014: The property taxation burden in Greece and select other countries).

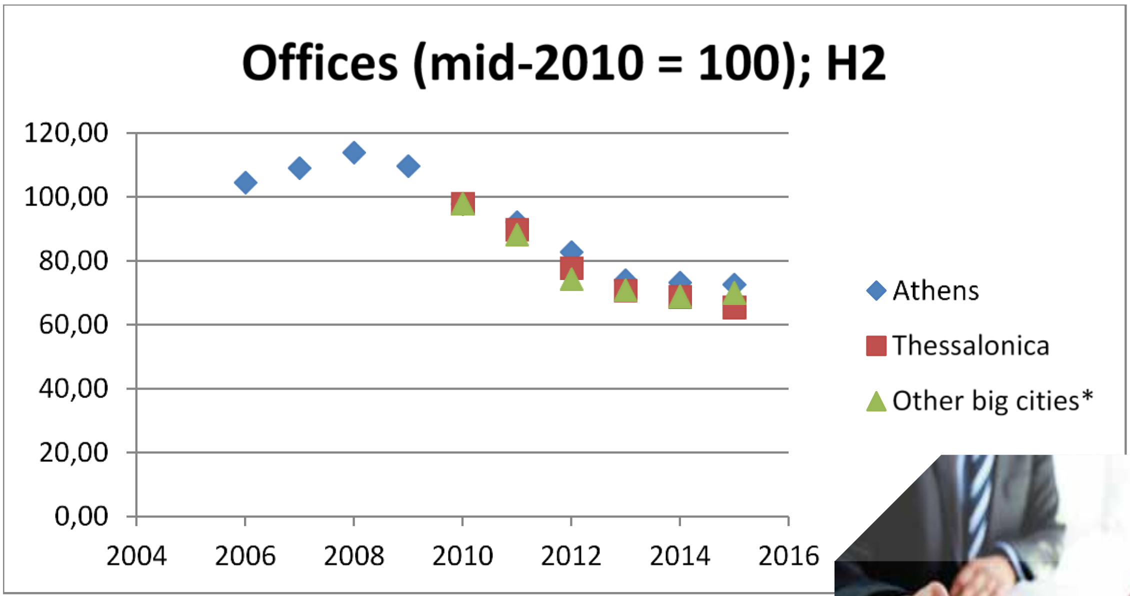
The trend has inevitably hurt real estate prices – and has done so in 2015 too. Table 3 shows that by the end of 2015

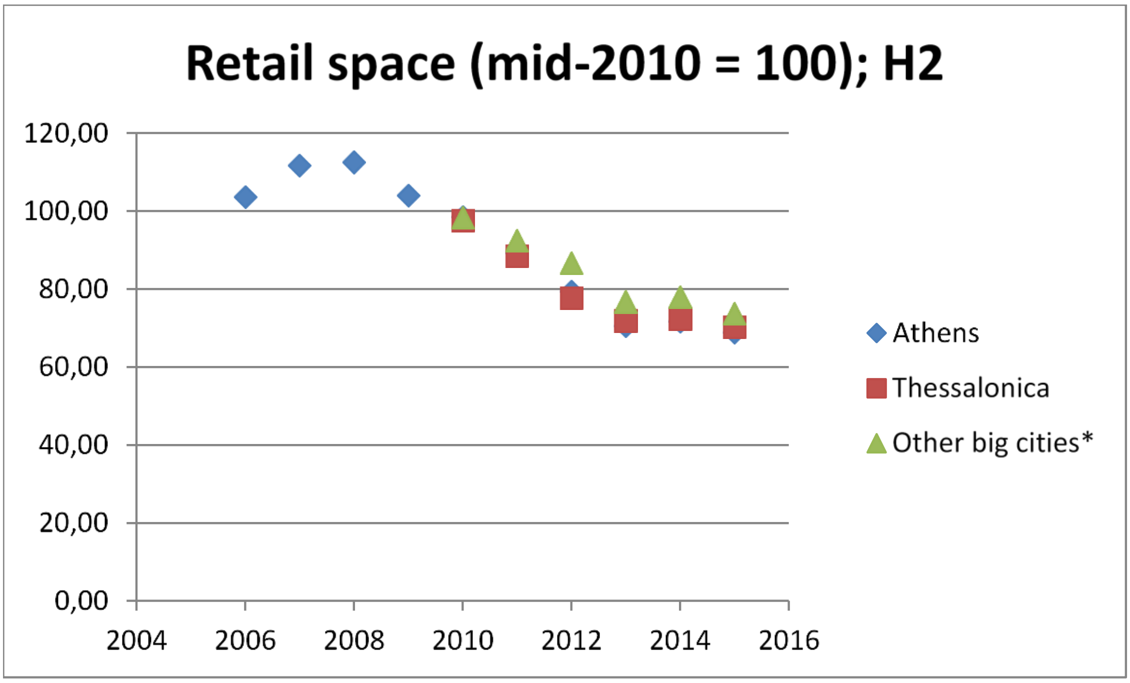
- dwelling prices in Athens were 57.1% of what they were in mid-2007, and in Thessalonica 55.4% of what they were in mid-2007;
- office prices in Athens were 72.6% of what they were in mid-2010, and in Thessalonica 65.5% of what they were in mid-2010;
- retail space prices in Athens were 68.9% of what they were in mid-2010, and in Thessalonica 70.3% of what they were in mid-2010.

Fig. 3 shows graphically the course of dwelling and other real-estate prices in specific parts of Greece over the 2004-15 period. Interestingly, Fig. 3 offers a glimmer of hope that the drop in real-estate prices, which began in 2009 along with the onset of Greece's economic crisis, may be coming to an end, as the rate of decline has been less in the 2013-15 period than in the 2009-13 period. Certainly the 2015 changes appear consistent with this recent pattern, across all three real-estate categories mentioned in Table 3 & Fig. 3.

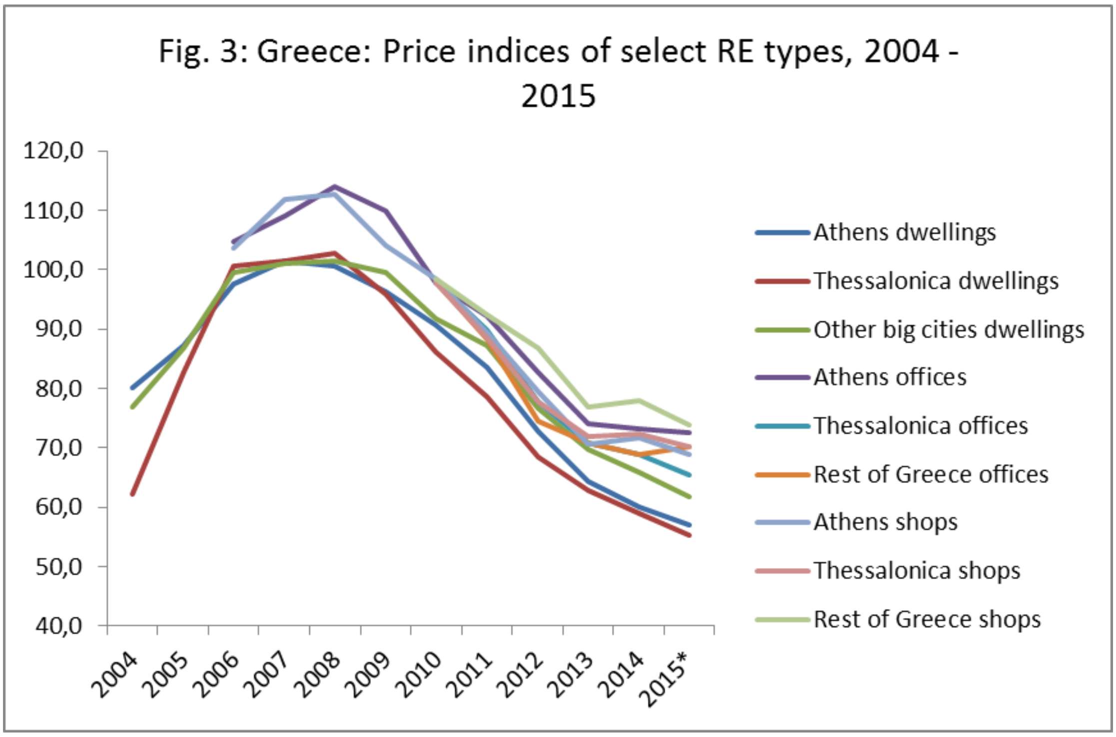
Table 3: Greece: Price indices of select categories of real estate space







*Other big cities: Capitals of prefectures, plus cities with a population larger than that of the prefecture capital
Note: Figures for 2015 are provisional. Figures for office space and retail space for 2015 refer only to H1.
H1: First half of a year. Q4: Fourth quarter.
Source: Bank of Greece.



Despite the apparent reduction in the rate of decline of Greece's real-estate prices over the last three years, there was still a decline in 2015 (but of course at a lower rate). E.g., Fig. 4 compares Greece's dwelling price change between 2014 and 2015 to the same change in a set of countries that are either Greece's neighbours, or similar to Greece, or, in the case of the UK, an interesting reference point. Sadly, Greece was the worst performer in the bunch. On the other hand, the fact that the decline appears to be petering out may suggest that 2016 may be the opportune time to start investing again in Greek real estate, as potential gains are likely to be impressive in the coming years.

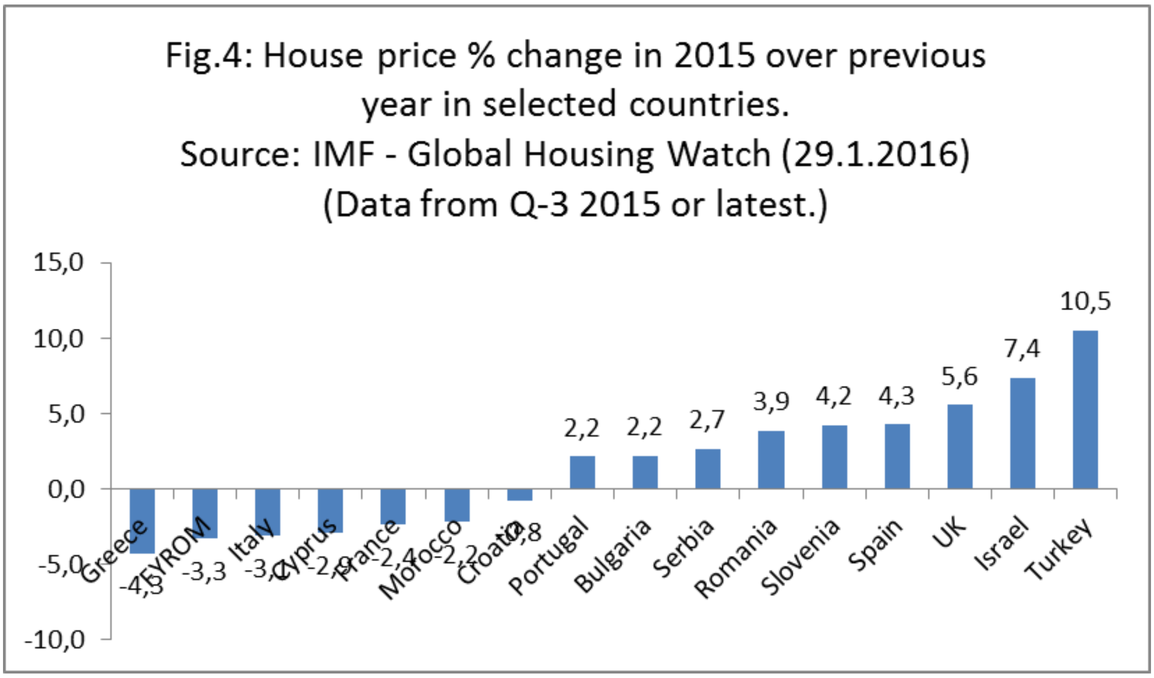


Table 4 presents additional comparative information on Greece's residential sector. (The importance of the residential sector for the entire real estate sector is that, due to its size, price developments are the single most important determinant of urban land and real estate prices in general.)

The additional information concerns credit growth, the price to income ratio, and the price to rent ratio. So in 2015, in Greece, credit growth in the real estate business was negative but not as much as in some other countries like Portugal, Slovenia, Spain, of the UK. Greece's dwelling price to income ratio was less in 2015 than it had been in 2010 (i.e., dwelling affordability slightly increased), whereas in, e.g., the UK the ratio increased. The dwelling price to rent ratio of Greece was less in 2015 than it had been in 2010 too (i.e., the wedge between dwelling prices and rents was smaller in 2015 than it had been in 2010), whereas in Israel, Turkey, or the UK that wedge was wider. The reduction in the size of the wedge could be taken to mean that the choice between renting and buying is not as stark as in many other countries – which, however, reflects the dramatic drop in dwelling prices in Greece, which was greater than the drop in rents.

Table 4: IMF: Global Housing Watch. Data as of 29 Jan. 2016. Greece vs 15

	House price % change over past yr		Credit growth % change over past yr		Price to income ratio (2010 = 100)	
Bulgaria	2.186894	2015q2				
Croatia	-0.7579356	2015q3	-1.4	2015q3		
Cyprus	-2.908753	2015q2	0.5	2015q3		
France	-2.377807	2015q2	2.9	2015q3	96	2015q3
FYROM	-3.298979	2015q3				
Greece	**-4.281623**	**2015q3**	**-1.8**	**2015q3**	**93**	**2015q3**
Israel	7.372379	2015q3				
Italy	-3.106461	2015q2	-1	2015q3	87	2015q2
Morocco	-2.171301	2015q2				
Portugal	2.157508	2015q2	-7.7	2015q3	94	2015q2
Romania	3.853257	2015q2				
Serbia	2.659039	2014q4				
Slovenia	4.210893	2015q2	-12.3	2015q3	87	2015q2
Spain	4.2785	2015q2	-5.7	2015q3	74	2015q2
Turkey	10.47991	2015q3	17.1	2015q3		
UK	5.574586	2015q2	-2.1	2015q3	113	2015q3

Missing countries: Albania, Montenegro, Bosnia & Herzegovina, Egypt, Tunisia.
Source: http://www.imf.org/external/research/housing/

Overview of the RE sector

In 2015, yields in selected property sectors (prime locations) were as follows: Offices, 8.5%; Retail 7.5%; Logistics space (e.g., warehouses), 12%. In the residential sector, yields in Greater Athens in July ranged from 3.25% to 4.50%.

Perhaps the most important regulatory development in Greece's RE scene last year was Decision 4446/2015 of Greece's Administrative High Court taken on December 15th. The Court ruled that the Greek government should have adjusted since May 21st, 2015, the 'objective' prices the Ministry of Finance uses for calculation of all kinds of real estate taxes (possession or transfer). Those 'objective prices' had been modified for the last time in 2007 (when Greek RE prices had been at their peak), and had not been reduced up to the time of the Court Decision. As a result, owners or buyers of RE in Greece had for years been forced to pay property taxes on the basis of property values that, as of 2009, had been on a downward spiral due to the Greek recession. By the end of 2015, the drop in actual property prices had been 30 to 50 per cent in relation to the so-called 'objective' prices used for tax purposes.
The Court noted in its Decision that the government's argument that it could not have adjusted (i.e., lowered) RE prices for tax purposes (because during the recession years the number of RE transactions had been too small to allow generalizations) could not be correct. The Court noted that the small sample of RE transactions had not stopped a number of Greek governments during the recession years from coming up with new 'objective' prices (applied as of 1.1.2011) for 4,489 areas in Greece which, until then, had been exempt from the 'objective' system of property prices. The Court, therefore, demanded that the government of Greece adjust all 'objective' prices so that they reflect true market prices.

The Greek Ministry of Finance implemented the Court ruling on Jan. 20th, 2016, with retroactive application as of 21.5.2015. That was certainly welcome; however, the effected reductions in 'objective' RE prices were still smaller than the true reductions that have happened in actual market prices as of 2009. The government has no choice but (a) to increase the tax rates applied on the possession of property, (b) to increase the tax rates especially on the higher-priced properties and/or the higher concentrations of RE wealth, in order to keep its tax revenue from recurrent property taxes near the target of €3.6 bn p.a. So any positive impact of the above Court Decision on Greece's RE market is likely to be small anyway.

There are additional problems that linger on, too. E.g., the OECD's latest survey on Greece (March, 2016) identifies three that are of particular importance for the RE sector:

Too many procedures and delays needed to (a) get a construction permit, (b) register a property (see Fig. 5, in turn based on Fig. 1.7, p. 76, of OECD's survey).

The net profit margins in the 'construction' and 'real estate activities' sectors are higher than the corresponding EU averages. On the basis of that criterion, however, the two sectors mentioned are among the lowest in Greece's 17 sectors whose value added was at least 1% of GDP, as defined by the European System of Accounts, or ESA (source: Fig. 1.6, p. 75, of OECD's survey): 'Construction' was 6th from the bottom, and 'real estate activities' second from the bottom (right above 'education').

Contract enforcement costs are very high. In a list of 33 countries, Greece came up first in OECD's survey, followed by Slovenia and Italy.

Further, Greece still doesn't have a complete and operational land & property registry (LPR) (Ktimatologion), even though she has received substantial financial assistance from the European Commission over the years for its construction, and even though Law 4164/2013 gave Greece's National Cadastre & Mapping Agency SA full responsibility for the project, ending a division of authorities that up to then had hampered its speedy completion. As things stood at the beginning of 2016, bids for 28 studies that were supposed to enable registration of 42% of all property rights in the country have been frozen. It is thus questionable whether Greece's registry will be fully up and running by the target year of 2020. Combined with high contract enforcement costs, the absence, from many areas of Greece, of a fully operational LPR could on occasion mean extra difficulties for potential RE investors.

Despite such difficulties, Greece's high potential as a destination for RE investment flows in the future is still there. This is evidenced by a number of market deals and developments in specific RE sectors, as shown below.

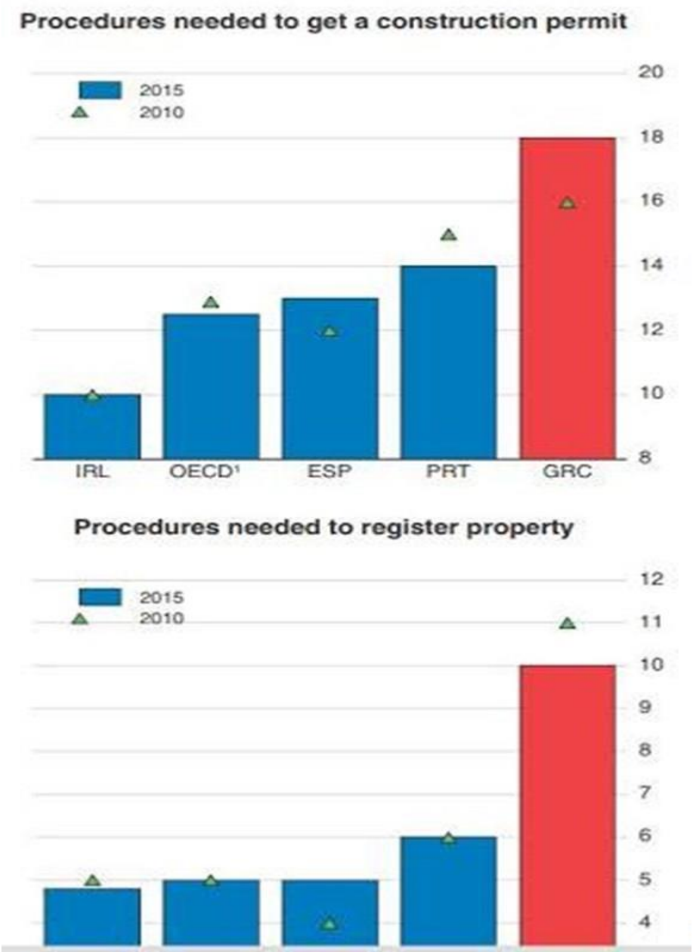


Fig. 5: Getting a construction permit and registering a property in Greece, not the easiest in the world (source: OECD)

Real Estate Investment Companies in Greece

The relative leveling out of investment-grade, or 'professional', properties in Greece in 2015 has ushered in a period of activity for Greece's Real Estate Investment Companies (REITs). The most important ones are Grivalia, Pangaia, Trastor, and a brand new REIC about to be launched by Quest Holdings, whose portfolio of 9 properties (worth upwards of €25 m.) is comprised of office buildings and warehouses. A second, very important, reason for renewed interest on the part of REICs in the Greek property market is the prospect of many bank loans to businesses being sold to private investors in the context of banks' efforts to clean up their unsustainably precarious asset position. Most of those loans (which may easily be augmented by the very likely addition of non-productive housing loans to households, also to be sold to private equity funds) are backed up by real estate holdings worth billions of euros. Such holdings will therefore be targeted by REICs or other investors looking for lucrative opportunities.

Grivalia Properties REIC was known as Eurobank Properties up to Oct. 2014; Ethniki Pangaia REIC, a subsidiary of the National Bank of Greece, took over MIG Real Estate REIC in 1.10.2105; 70.78% of Trastor REIC (previously Piraeus REIC) is owned by Piraeus Bank. Alpha Bank, Greece's fourth big 'systemic' bank, is also thinking of launching a REIC, but probably not through its long-standing real estate subsidiary Alpha Astika Akinita.

TOURISM - HOTELS

In 2015 the number of tourist arrivals in Greece reached 23.5 m. The corresponding revenue was €14.2 bn. (The projections for 2016 were 25 m. and €15 bn, respectively – assuming of course that Greece's problem of mounting illegal immigration will not take its toll). The corresponding figures for 2014 had been 21.5 m. and €13.5 bn, so in 2015 there was an increase of 9.3% in arrivals, and of 5.2% in revenue. So, once again, tourism remained Greece's foremost foreign exchange and income earner.

In this promising context, a number of interesting developments marked 2015:

- TUI's Robinson Club announced the operation of Kyllini Beach Hotel (317 beds) in the Peloponnese as of 2016.
- Der Touristik began operating its 5-star LTI Asterias Beach Resort in Aphantou, Rhodes.
- Thomas Cook decided to operate in Greece as of 2016 its first hotel named after its new club chain Casa Cook. It's the Supreme White Pearl Resort (90 beds) in Colympia, Rhodes.
- Four Seasons Hotel Resorts undertook to manage a hotel to be built by Greek and foreign investors in Myconos.
- Dolphin Capital Investors began to plan a tourist complex in Kea, to be managed by the Aman chain.
- Intercontinental will start a new hotel in Santorini, to be built by Athenaeon SA, which also owns Athens Intercontinental.
- The Marriott group returned to Greece by incorporating in its chain of Autograph Collection Hotels the Domes Hotel of Elounda, Crete.
- Movepick Hotels & Resorts started discussions with Asty SA, owners of Athens Ledra Hotel, on the possibility of taking over that hotel's management.

The new Greek government decided in April 2015 to pass a bill enabling Greece's Public Properties Company to take over the 'Attica Coastline SA' which had been set up by the previous government of Greece in 2012 for the purpose of utilizing extensive public land and property holdings along a coastal zone in Greater Athens, extending from Neo Phaliro down to Hellenicon, for the purpose of attracting private funds and development in order to turn that zone to a kind of 'Athenian Riviera'.

The plan had not sat nicely with the troika (Greece's sovereign creditors), or indeed with the Greek Ministry of Finance. In June 2014 a number of public prime sites and properties along the zone, which initially had been earmarked for Attica Coastline SA, were instead handed over to the Hellenic Republic Asset Development Fund, which had been created in the context of Greece's MoU between Greece and the troika, and which is the chief shareholder of Public Properties Company. In the autumn of 2014 important sites and properties were returned to Attica Coastline SA – but then the European Commission rejected the Greek government's requests for special funding for the 'Riviera' project. What will now happen with the Attica coastline public land and property holdings is not yet clear, but this train of events has certainly been a setback for the realization of Attica's tourist and RE potential.

Source: SETE, edited by GLP Values

It would appear that the Golden Visa of the Greek state (i.e., granting a 5-year residence permit to foreign buyers of property in Greece in excess of 250,000) has not yielded the expected monetary inflows. Since the relevant law (4146/2013) was enacted only about 260 properties were bought under the programme and about 983 residence permits issued (to buyers and members of their families). A serious disincentive seems to be certain unclear points in Greek tax law. The latter is supposed to exempt such buyers from income tax on the basis of imputed income, yet Golden Visa buyers are considered to have imputed income corresponding to the value of the property they've bought. Since these are expensive properties, the income tax payable can easily amount to thousands or tens of thousands of euros.

Furthermore, Alpha Bank decided in December to sell the famous Athens Hilton Hotel. Market rumors refer to tentative bids in the range of €140-170 million. Also the 'historic' Pentelicon Hotel in Kifissia, Athens, (owned by Vardis Hotel Enterprises SA) closed down in May.

An important tourist investment in the island of Ios received the thumbs up from the Greek government in December 2015. The project (area: 18,100 sq.m., 5-star, 249-bed hotel, budget: 50 m.) belongs to 105 SA, owned by Angelo Michalopoulos.

Additionally, a 28-m tourist investment project in Votanicos, Athens, went 'sour' because the Greek government (on the basis of a rather strict interpretation of an environmental law – 3937/2011) forbade the potential investor to take measures for the elimination of mosquitoes in a near-by swamp.

Last but not least, a serious effort to render Santorini into a 12-month (all-season) tourist destination went under way in March 2015, under the auspices of the local mayor. The municipality will aim to evenly allocate the summer season's increased tourist traffic and attract visitors during the off-season through a series of actions that include the promotion of alternative forms of tourism.

Moreover, five tourist investment projects, totaling at least €250 m., were launched in Chalkidiki. The largest was by Med Sea Health (a hotel and health services company) and the hotel & property company Mare Village in the Canistro area, with a budget of about 150 m., to cover the cost of a 5-star tourist complex comprising a 640-bed hotel, a marina for 90 boats, and 150 holiday homes (meant mainly for sale), on an area of 330 th. sq. m.

The second project was Ikos Olivia hotel (with 955 beds in the old Gerakina Beach hotel), which opened in 2015 in the Gerakina settlement in Polygyros, Chalkidiki. The owners are the US fund Oaktree and SANI SA, of Andreadis Bros.

The third project was the Blue Lagoon Princess hotel (cost: 40 m., 250 rooms), in the Calyves area of Chalkidiki.

The first tourist investment to be launched under the fast track method was OK'd by Greece's Highest Administrative Court in March 2015. The investment (from the Minoan Group) comprises hotels and tourist villages in an area of 22 m. sq.m. in Cavo Sidero of the Lasithi prefecture in Crete. It includes 5 hotels (a total of 1,936 beds), a golf course as well as spa and wellness centers.

RESIDENTIAL SECTOR

Greece's dwelling prices and investments have been hit harder than any other real estate sector during the crisis years. And, although, in the last couple of years, the rate of dwelling price decline has lessened, political and economic uncertainty in 2015, a further drop in real GDP, bank unwillingness and/or inability to finance house purchase or ordinary residential development projects, expectations that dwelling price decline may continue. Adding a growing number of unserviced or poorly serviced housing loans (fueling fears that, in the end, most of those instances will result in a wave of repossessed properties coming onto the market at very low prices), all have contributed to a bleak outlook for the residential sector (despite a growing number of lucrative yet sporadic opportunities for buyers, who can now buy first-class properties at very low prices, especially in posh suburbs or CBD areas, or in internationally popular islands).

At a slower pace housing prices in Greece are falling, compared to the great reduction in years 2012 and 2013. According to Bank of Greece, Greece's house prices in urban areas hit the lowest annual fall in prices since 2009. More specifically for 2015 urban house prices dropped by 5.47% (4.91% in real terms) yoy, whereas for 2014 by 1% (-1.5% in real terms) qoq.

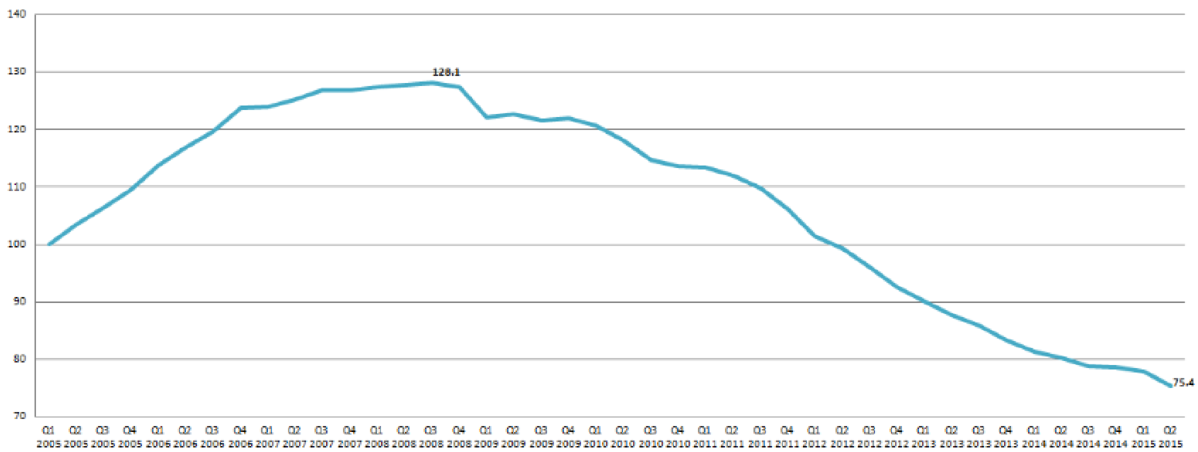
Moreover, according to BoG, in Athens, the average price of apartments fell by 4.9% (-4.34% in real terms) during 2015, an improvement from annual declines of 6.8% in 2014, 11.45% in 2013, 12.91% in 2012, and 8% in 2011.

In Thessaloniki, the country's second largest city, house prices fell by 5.9% (-5.4% in real terms) in 2015, the lowest annual decline since 2008. From the previous quarter, house prices fell 1.3% (-1.7% in real terms) in Q4 2015.

In other cities (excluding Athens and Thessaloniki), there was a 6.1% drop in house prices (-5.6% in real terms) in 2015, an increase on last year´s 5.5% annual house price decline, but down from declines of 9% in 2013, 12.2% in 2012. During the latest quarter house prices fell by 1.8% (-2.3% in real terms) in Q4 2015.

In general, Greek residential property prices are down by 42% (-45.3% in real terms) from the peak year of 2008. Despite a slight improvement, activity is amazingly depressed. In 2015, the number of residential property appraisals-transactions was down by 24.1% from the previous year. Also, only 13,257 building permits were issued in 2015, a striking contrast from the 70,000 to 80,000 permits issued annually from 2004 to 2007. Below a chart with the Greece home price index quarterly from 2005 to 2015 as well as price index of house market in Athens from the year 1997 to 2015.

Greece Home Price Index



Source: Bank of Greece; OECD, edited by GLP Values

Index of Prices of Dwellings, Athens (2007=100)

Source:Bank of Greece, edited by GLP Values

Moreover, table 5, below, shows dwelling purchase prices, rents, and yields (for apartments and/or houses) in selected areas of Athens and Crete in July 2015. Table 6 does an international comparison of the sale price of a 'model' apartment, and of gross rental yields, in 2015 or 2014. The Greek yield, at 3.83%, is considered quite weak as an incentive for investment in apartments or apartment blocks for renting. However, the Greek yield is higher than the corresponding yield in the UK or France, and on a par with same in Italy or Spain.

Table 5: Dwelling prices, rents, and yields in Athens & Crete, July 2015

	COST (€)		YIELD (p.a.)	PRICE/SQ.M. (€)	
ATHENS -CENTER APARTMENTS	TO BUY	MONTHLY RENT		TO BUY	MONTHLY RENT
75 sq. m.	198,900	714	4.31%	2,652	9.52
120 sq. m.	358,800	1,123	3.76%	2,990	9.36
ATHENS -SUBURB APARTMENTS					
75 sq. m.	189,975	648	4.09%	2,533	8.64
120 sq. m.	307,560	871	3.40%	2,463	7.26
ATHENS -SUBURB HOUSES					
200 sq. m.	559,200	1,66	3.56%	2,796	8.30
500 sq. m.	1,574,000	4,38	3.34%	3,148	8.76
CRETE - APARTMENTS					
50 sq. m.	92,650	284	3.67%	1,853	5.67
85 sq. m.	156,400	315	2.42%	1,840	3.71
120 sq. m.	246,360	n.a.	n.a.	2,053	n.a.
CRETE - VILLAS					
250 sq. m.	996,750	n.a.	n.a.	3,987	n.a.

Districts researched:
Athens Centre: Kolonaki
Athens Suburbs: Kifissia; Psychiko, Glyfada
Crete: Chania; Rethymno; Apokoronas, Aghios Nikolaos, Elounda
Source: Global Property Guide, edited by GLP Values

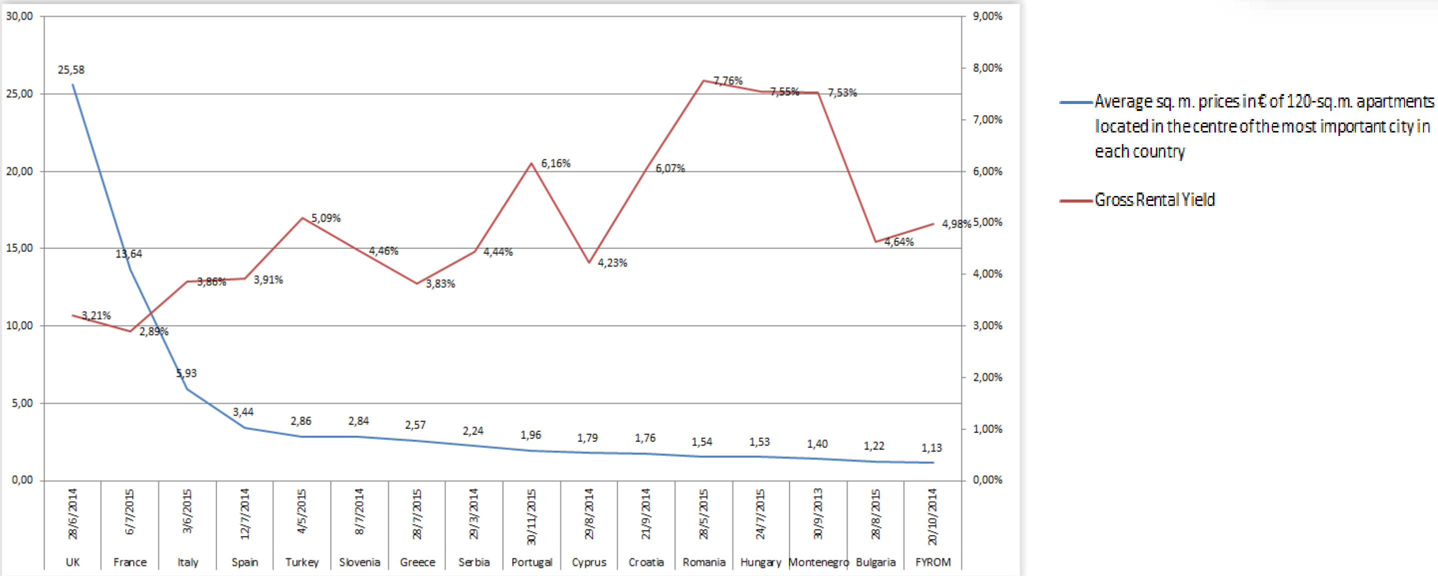
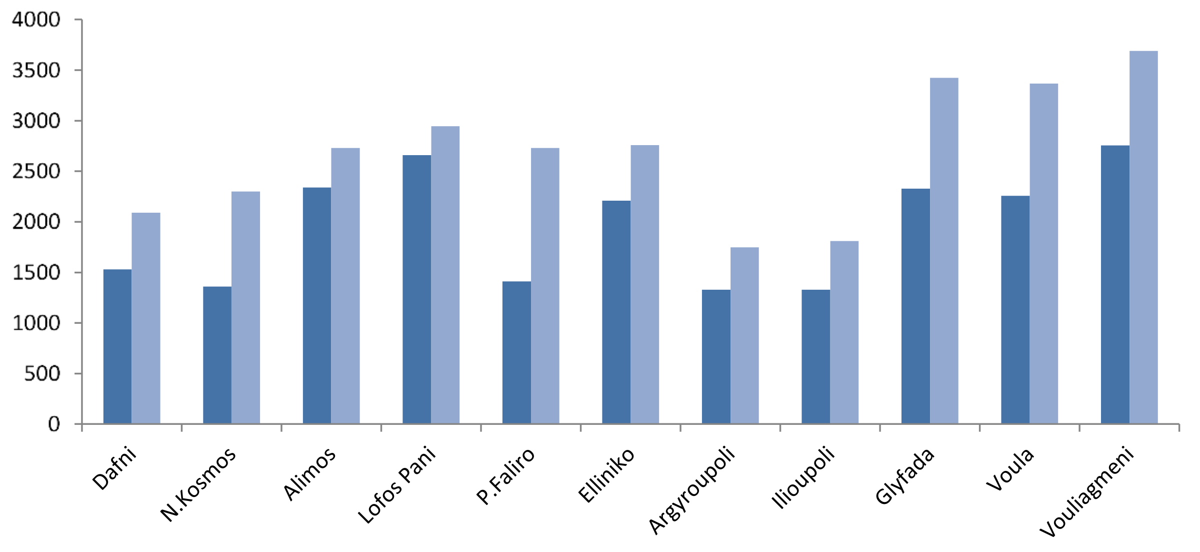
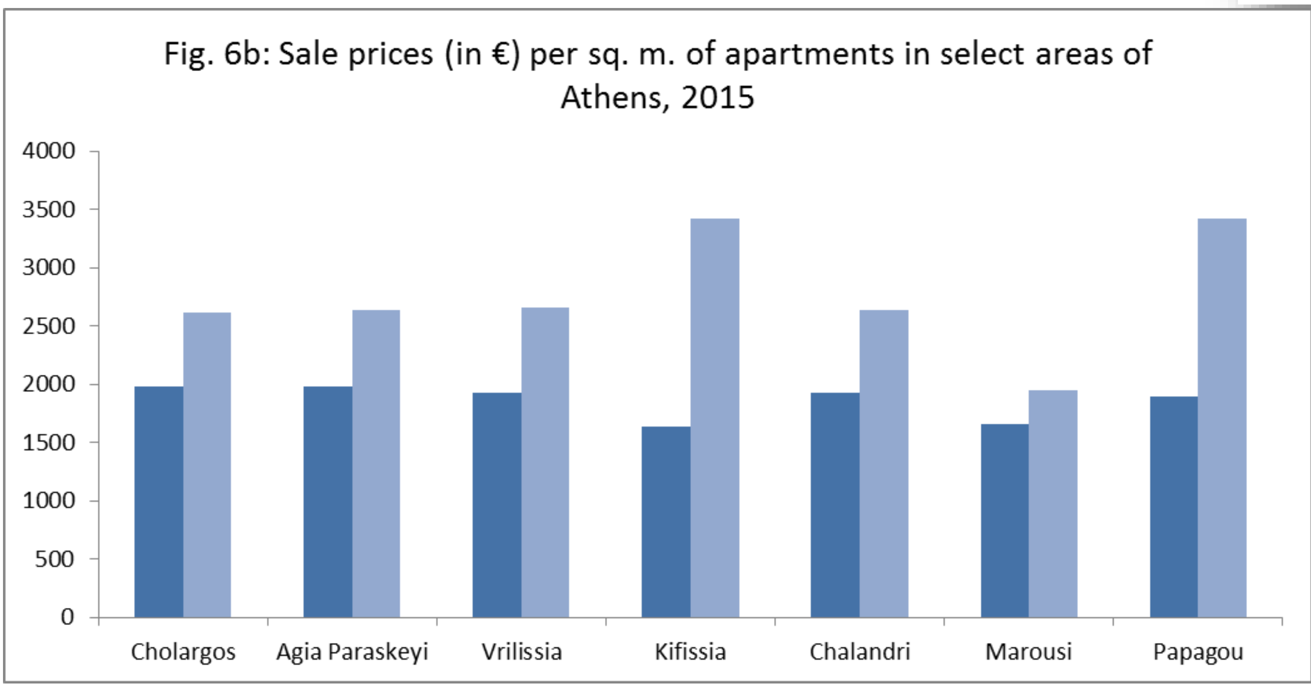


Table 6: Prices per sq. m. and gross rental yields – Greece vs selected countries, c. 2014-15

The following charts show the rental prices rates in Athens (center, north, south suburbs and Piraeus) and Thessaloniki (center, north, west and east). Regarding the selling prices, we present the rates for the north and south suburbs of both cities.

Fig. 6a: Sale prices (in €) per sq.m. of apartments in select areas of Athens, 2015





An interesting find is that the average percentage difference between highest and lowest recorded sale price in the 18 areas of Greater Athens included in the GLP Values database was 44%, and the corresponding standard deviation 27%. Even more interesting was the find that the co-efficient of determination between those differences and the recorded maximal prices (i.e., a measure of how 'closely' the two variables moved together) was about 13%, i.e., very low. This simply means that neither the 'best' areas (ostensibly those that recorded the highest maximal prices) nor the 'worst' (ostensibly those that recorded the lowest maximal prices) were necessarily associated with either consistently large or consistently small differences between the minimal and the maximal price. Hence, even in an 'expensive' area one could conceivably find a comparatively low-priced opportunity for purchase, but that would largely be a matter of luck rather than a systematic occurrence.

Fig. 6c: Rental prices (in €) per sq. m. for apartments in select areas of Athens & Piraeus, 2015

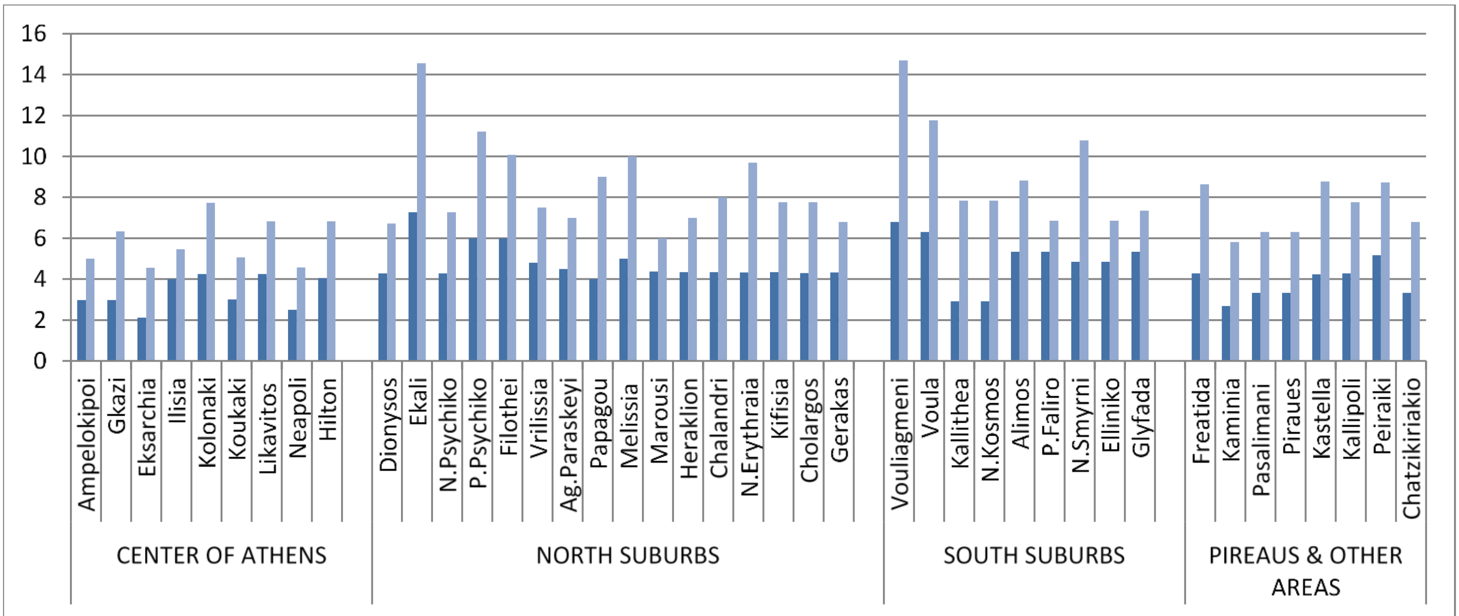


Fig. 7a: Rental prices (in €) per sq. m. of apartments in select areas of Thessalonica, 2015

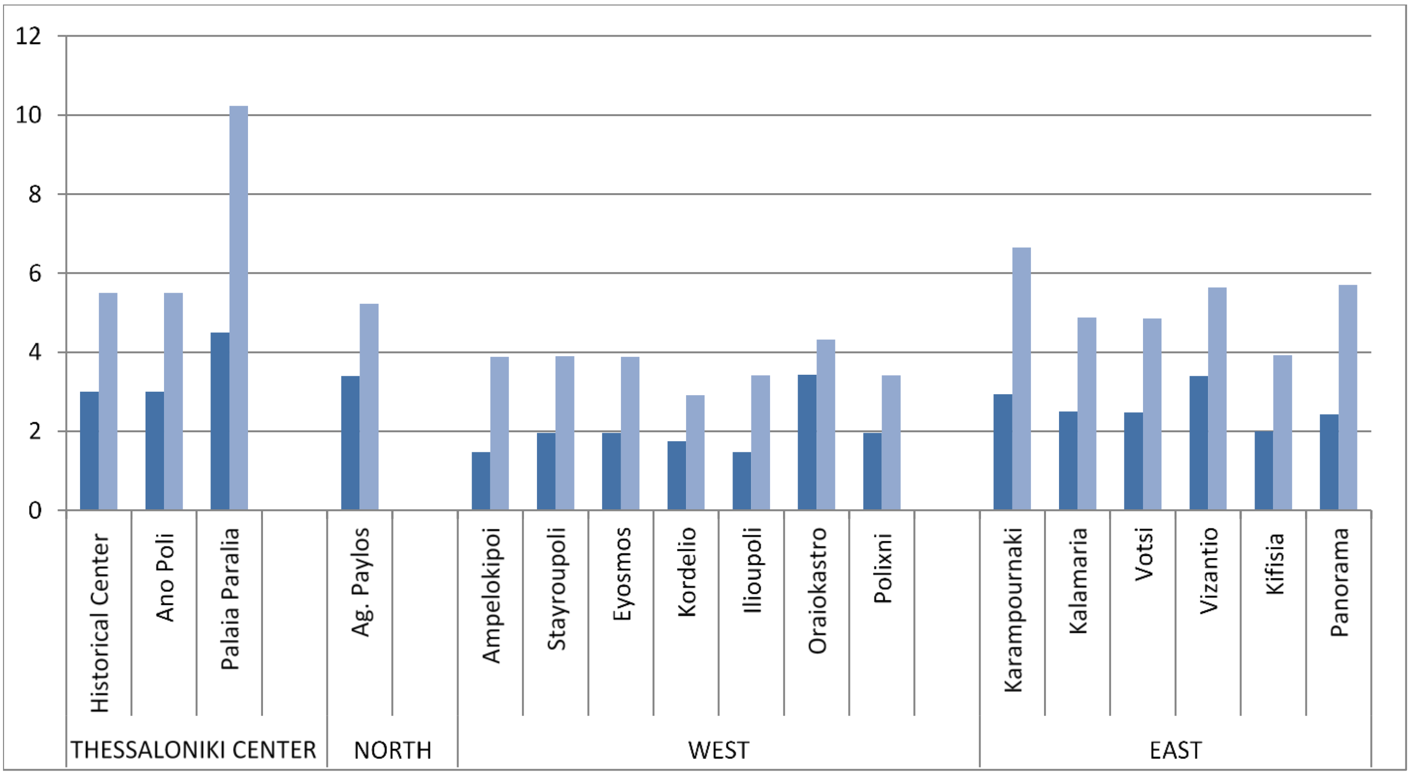
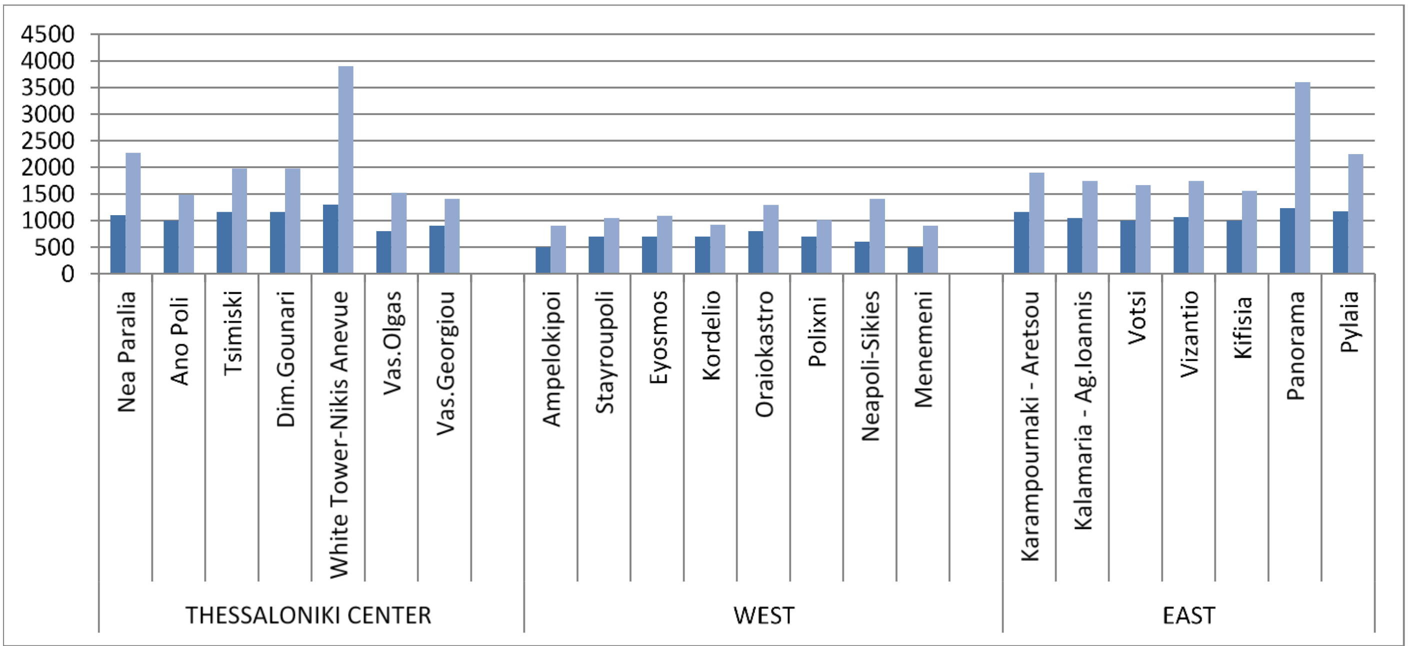


Fig. 7b: Sale prices (in €) per sq. m. of apartments in select areas of Thessalonica, 2015



Unlike the case of Greater Athens, mentioned above, in the case of Thessaloniki the average percentage difference between highest and lowest recorded sale price in the 22 areas sampled was 81%, and the corresponding standard deviation 43%. (The corresponding figures for the 18 Greater Athens areas sampled in Fig. 6a & 6b were 44% and 27%.) Also unlike the case of Greater Athens, the co-efficient of determination between those differences and the maximal recorded prices (i.e., a measure of how 'closely' the two variables moved together) was about 69% (compared to 13% for the 18 areas of Greater Athens), i.e., the two variables followed one another to a significant extent. This means that in the case of Thessaloniki the areas with the highest maximal sale prices tended to be also areas with the highest differences between highest and lowest sale price. This means that the chance of finding a comparatively low-priced residential property to buy in an ostensibly 'good' area was considerably greater in Thessaloniki than it was in Greater Athens in 2015.

According to Eurostat the Greek residential property market posted the worst performance among its European Union peers during the last quarter of 2015. House prices in Greece declined at a rate of more than twice that of any other country in the bloc during the same period. Central bank states that the downward trend in house prices is expected to continue in the upcoming period. The housing market is expected to recover with a relative time lag, largely depending on the increase in households' disposable income, a rise in employment, as well as an improvement in bank financing conditions.

RETAIL SECTOR

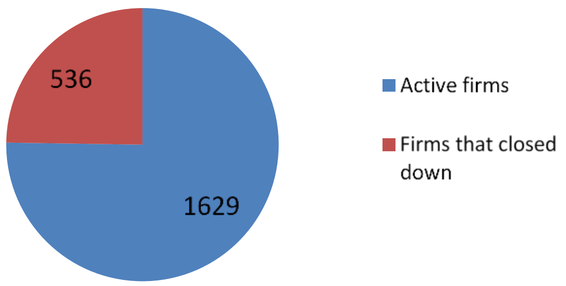
In Sept. 2014 and March 2015 the Hellenic Confederation of Commerce & Entrepreneurship conducted two very interesting studies on the effects of the crisis on the numbers of commercial firms still in operation, plus numbers of closures, in the commercial center of Athens as well as in Piraeus. Table 7 sums up the results. It is worth to mention that differences between the two dates, in terms of active firms or firms that closed down, are small – but that was before the capital controls imposed on the Greek banking system in July 2015.

In general, the demand for store leases arises mainly from food and beverage sector, where it is focused on smaller high streets.

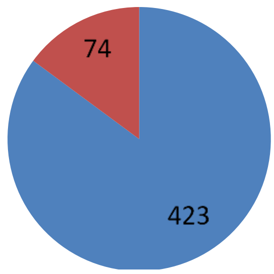
The overall situation in the retail sector is not optimistic on a short- to mid-term basis, even though certain supermarket chains and big shopping malls are reported to have weathered the continuing crisis in the Greek economy better than the average retailer. As it is presently difficult both to sell retail-space properties (there has been a dramatic reduction of such sales over the last 5 years) and to find tenants, the yields are ranking between 7.00% - 8.00% for prime retail properties and could reach 8.00% - 9.00% for secondary markets. Bank of Greece data suggest that by 2015 the Retail Price Index for the whole of Greece was 71.5% of what it had been in 2010 (base year), and the Retail Rent Index was 64.5%, meaning a slight drop on the yields (compared to last year). The corresponding figures for Athens were 69.7% and 62.7% (hence a drop in yields), for Thessaloniki 70.6% and 72.5% (hence a rise in yields), and for the rest of Greece 74.6% and 65.2% (hence a drop in yields).

Table 7: How the crisis has hit retailing in the CBD of Athens & Piraeus.

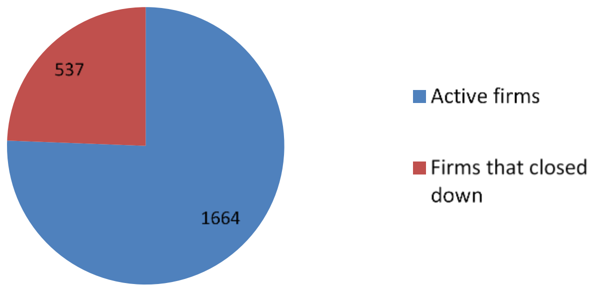
No. of retailers in **Athens** Commercial Triangle (demarcated by Metropoleos, Stadiou & Athenas St)
September 2014



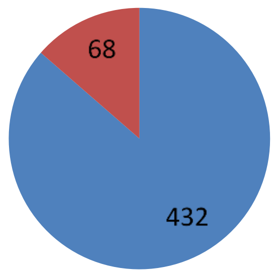
Of which: Retailers in main commercial streets within the ACT (i.e., Ermou, Metropoleos , Athenas & Aeolou St)
September 2014

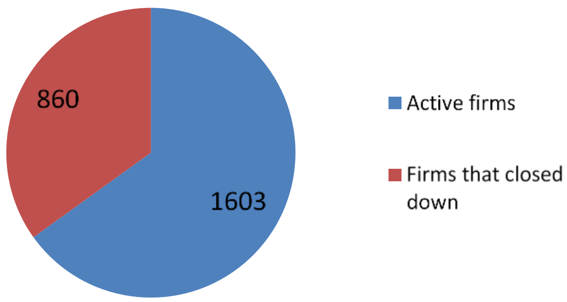


No. of retailers in **Athens** Commercial Triangle (demarcated by Metropoleos, Stadiou & Athenas St)
March 2015

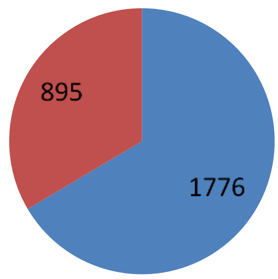


Of which: Retailers in main commercial streets within the ACT (i.e., Ermou, Metropoleos , Athenas & Aeolou St)
March 2015





March 2015

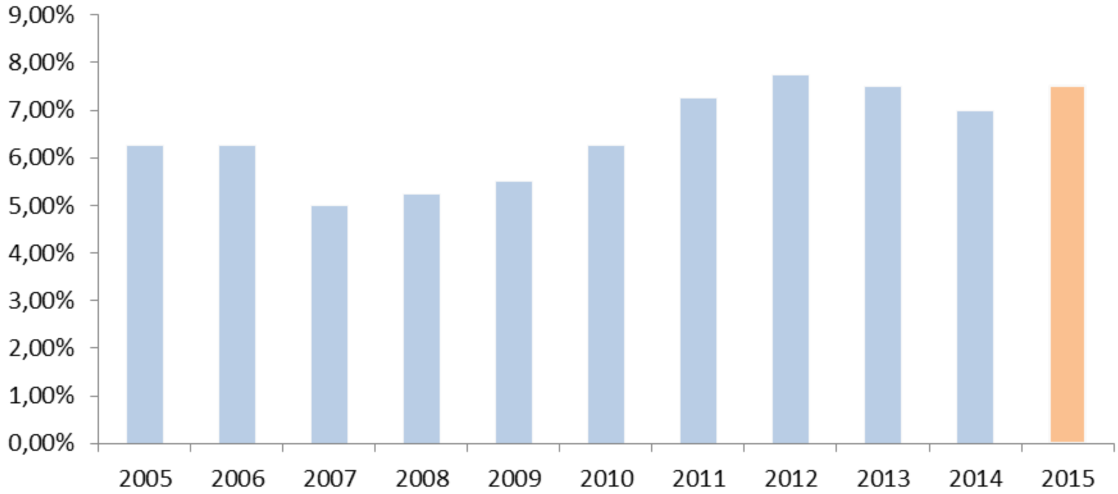


Source: Hellenic Confederation of Commerce & Entrepreneurship, edited by GLP Values

Turning to GLP Values rental price database for retail space in greater Athens & Thessaloniki, one notices that, as expected, the highest values were recorded in Ermou Str. and Tsimiski Str., both in the Central Business District of Athens & Thessalonica, respectively.

In general, the yields for the high streets range between 7% and 8%, while in areas of secondary interest the yields exceed 8.5% (below a chart with the average historical yields from 2005 to 2015 for prime retail spaces). The main factors in shaping the yields are the location of the property as well as special features such as the frontage, the access, creditworthiness of the lessee etc.

Historical Yield level for Prime retail spaces



During 2015, Grivalia Properties REIC announces the agreement with Sklavenitis Group to acquire and leaseback portfolio of nine retail assets for 60 million euros. The portfolio consists of two assets in Athens, two in Thessaloniki, one in Heralion, one in Patra, one in Larissa, one in Volos and one in Xanthi and it will be leaseback to Makro Cash & Carry SA for rent 5.7 million euros per annum. Grivalia also completed the acquisition of a 12.6 thousand square meters property in Heraklion, Crete for 8.5 million euros as well as a 12.4 thousand square meters in Municipality of Mandras - Eidyllias for 6.5 million euros. The properties will be leased back to Praktiker Hellas SA. The store of Crete is the only store with housing and technical equipment in the island. Also H&M rented the ex Focas building in Ermou street of total surface approximately 3.500 sq.m.

Other retailers such as Media Strom, Gregory's, as well as, Mikel and other smaller food chains, have procced in renting smaller retail areas. Media Strom in 2015 opened one store in Marathonos avenue of a total surface 600.00 sq.m. Also food chain Gregory's leased 14 new stores, counting a total number of 284 stores.

Another food & beverage chain company, "MIKEL", leased 15 new stores in 2015 and currently the company has around 130 stores. GLP Values has acted as leasing advisor for the new stores of Media Strom, Gregory's as well as Mikel.

Below there are two charts with the minimum and maximum rental prices per sq.m. in Athens as well as in Thessaloniki.

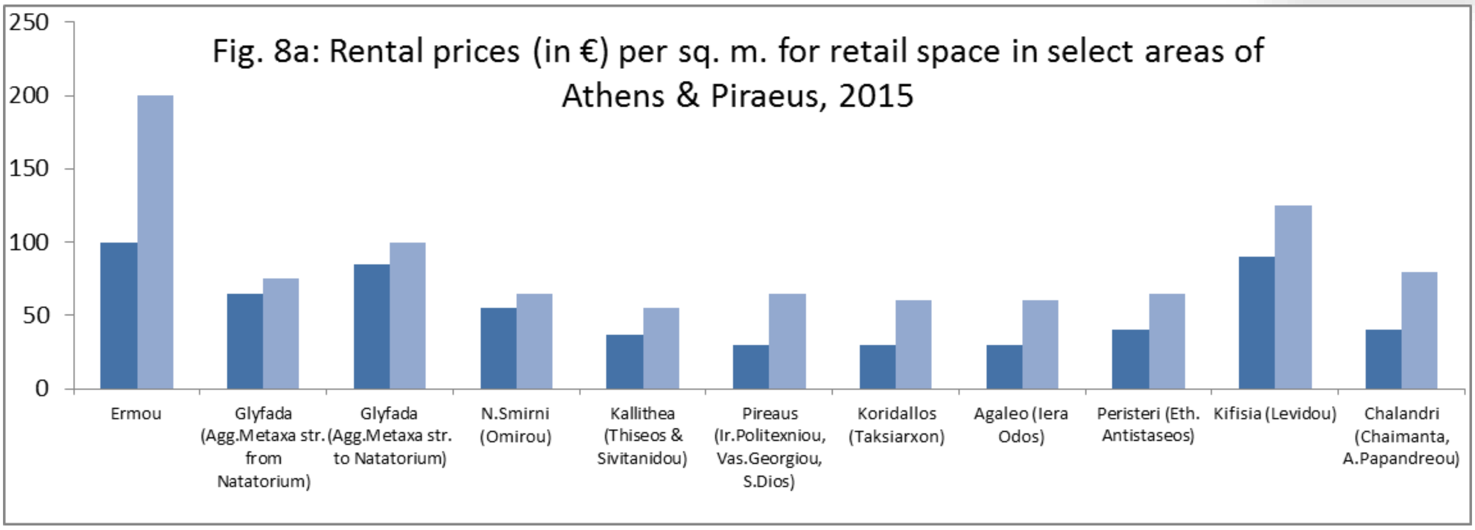
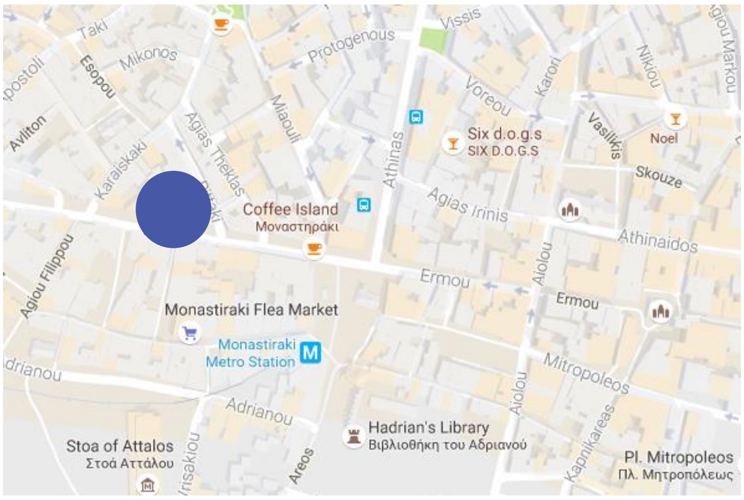
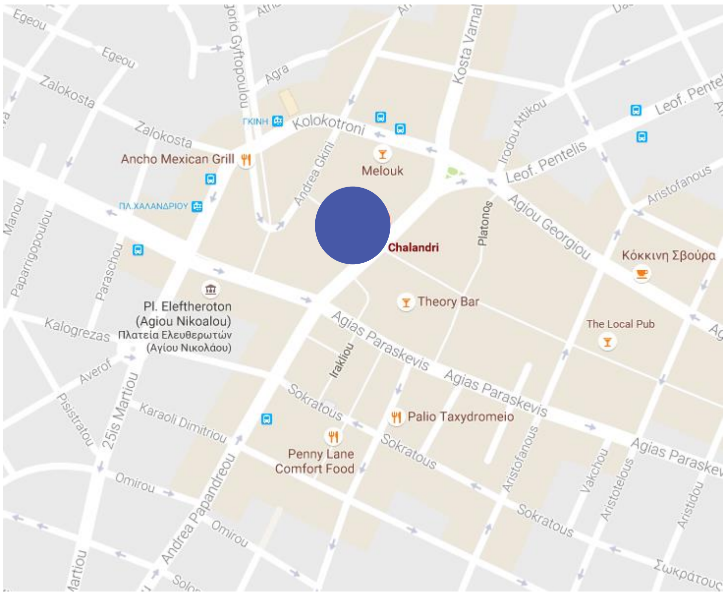


Fig. 8a: Rental prices (in €) per sq. m. for retail space in select areas of Athens & Piraeus, 2015

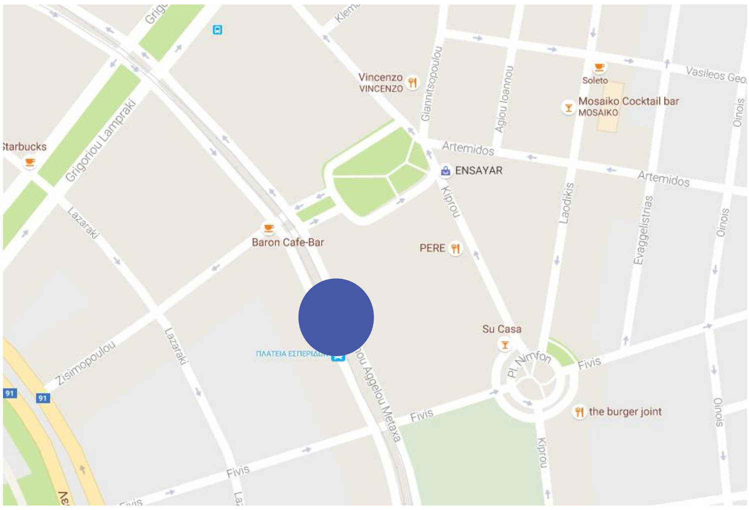
ATHENS - ERMOU STREET



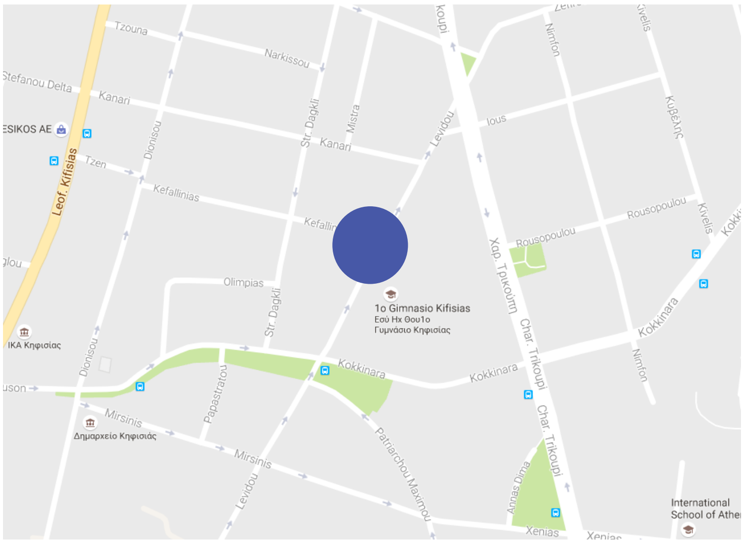
CHALANDRI (A. PAPANDREOU, CHAIMANTA STREET)



GLYFADA (A. METAXA STREET)



KIFISSIA (LEVIDOU STREET)



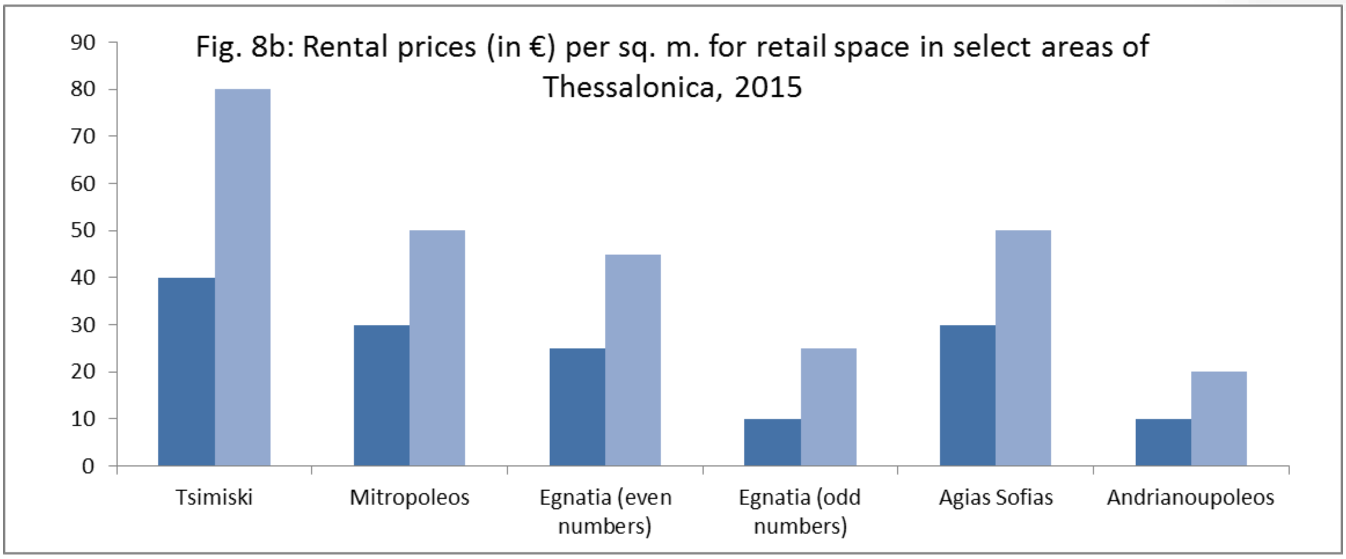
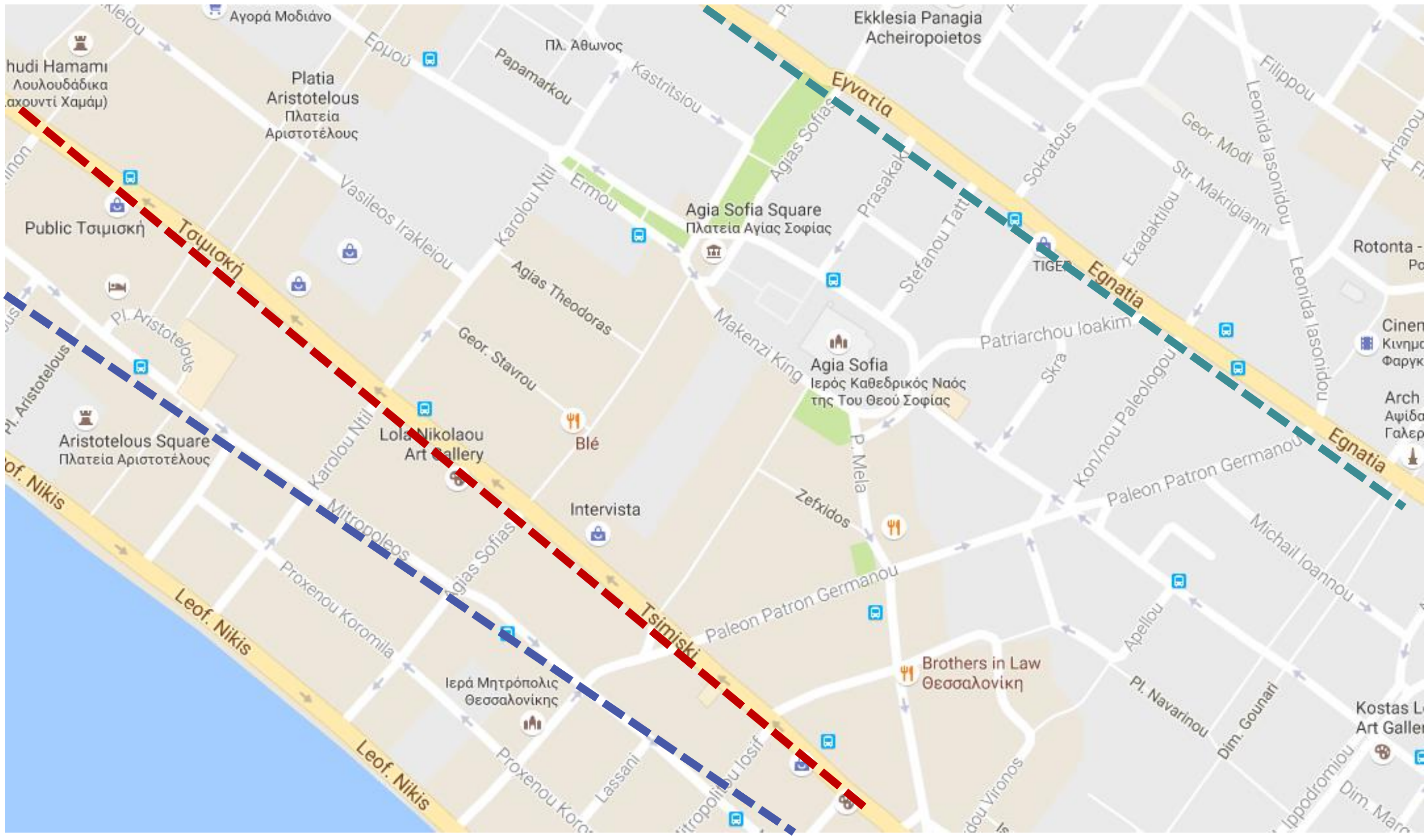


Fig. 8b: Rental prices (in €) per sq. m. for retail space in select areas of Thessalonica, 2015



MITROPOLEOS STREET

TSIMISKI STREET

EGNATIA STREET

OFFICE SECTOR

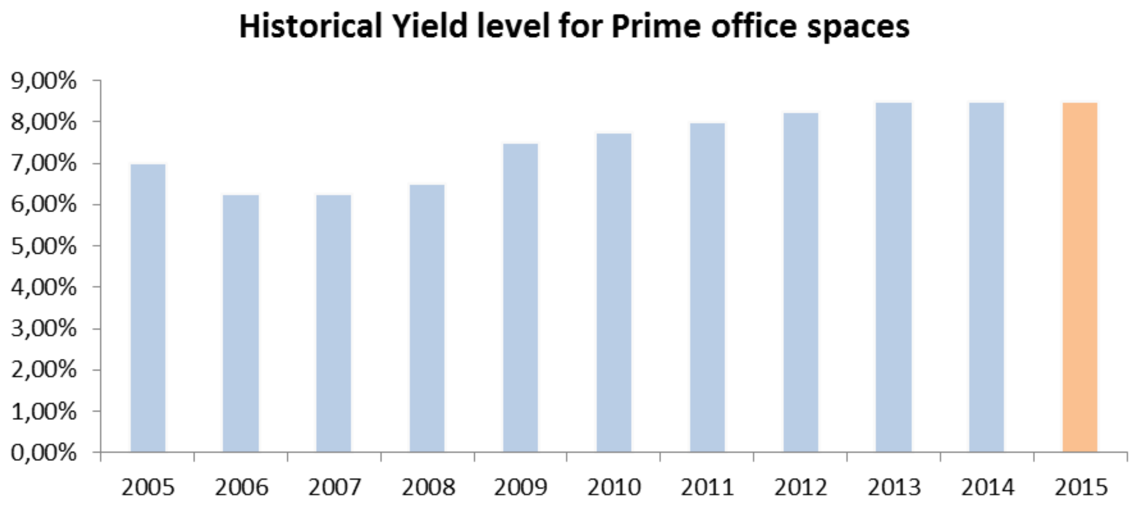
According to Bank of Greece the price of offices in prime location, for the first half of 2015, declined by 0,2% compared to second half of 2014, recording a significant slowdown compared with the corresponding rates of 2014 (-3,5%) and 2013 (-9,9%). The corresponding average rate of price reduction was 0,5% for Athens, 5,7% for Thessaloniki while the rest of Greece recorded a price increase of 1,2%.

Any development of new buildings or reconstructions has been postponed due to the political and economic uncertainty. Only Greek REIC's shows some interest in the office market with a few transactions being completed in the second semester of 2015. General, any demand for office space is not arising from new tenants, but primarily from companies looking to relocate at a lower rent in order to reduce costs. According to GLP Values the majority of the office leases in 2015 where in the north of the CBD.

The recovery in the office sector in the second semester, as well as, an initial interest of foreign investors shows a 'light at the end of the tunnel' for the years 2016-17.

Furthermore, the demand for office spaces in prime locations as well as for locations near rail transport stations was increased, due to the fact that the rent levels become more attractive for a possible relocation. Therefore, vacancy rates for office spaces in secondary locations have increased. Like 2014, in 2015 many companies, multinational or not, renegotiate their lease contracts in order to reduce the operating costs.

Estimated yield ranges from 8.00% to 9.75% with the risk of financial liquidity being quite high. Yields for office spaces in prime locations (Syntagma square, Vas. Sofias avenue etc) range between 8.00 to 9.00% (below a chart with the average historical yields from 2005 to 2015 for prime office spaces). Vacancy rate for Grade A office buildings is estimated from 7.5%-9% and for Grade B buildings from 17% to 19%.



During 2015, the 1.400 sq.m. building (former Canadian Embassy building) about 2 miles from the Acropolis was sold for €4 million to MK Mykonos Hotel Company SA, a subsidiary of Dogus Holding whereas Aegean Baltic Bank relocated its head office in Maroussi with the acquisition of an office building of approximately 2,700 sq.m. Leroy Merling leased office spaces of approximately 1.000 sq.m in Monumental Plaza whereas Ernst & Young leased office spaces of approximately 6.000 sq.m in Chimaras street, Maroussi (former offices of Uniliver which was relocated in office spaces of approximately 4.000 sq.m in Kymis avenue, Kifissia). Additionally Sony Hellas leased an office space of approximately 1.500 sq.m in Arcania Business center.

Regarding the market of Thessaloniki, rent levels for prime location offices such as Tsimiski street ranges between 4.00 €/sq.m to 8.00€/sq.m, whereas for secondary locations rent levels range from 3.00 €/sq.m to 6.00 €/sq.m. Generally, office spaces in Thessaloniki were not an attractive investment, either for domestic or foreign investors.

As for the direction of yield change, Bank of Greece data suggest that in 2015 the Office Price Index for the whole of Greece was 71% of what it had been in 2010 (base year), and the office Rent Index 71.5% (hence a rise in yields); for Athens, the numbers were 73% and 73.1% (a rise in yields), for Thessalonica, 65.2% and 77% (a rise in yields), and for the rest of Greece, 69.9% and 68.6% (a drop in yields).

Fig. 9a: Rental prices (in €) per sq. m. for office space in select areas of Athens, 2015

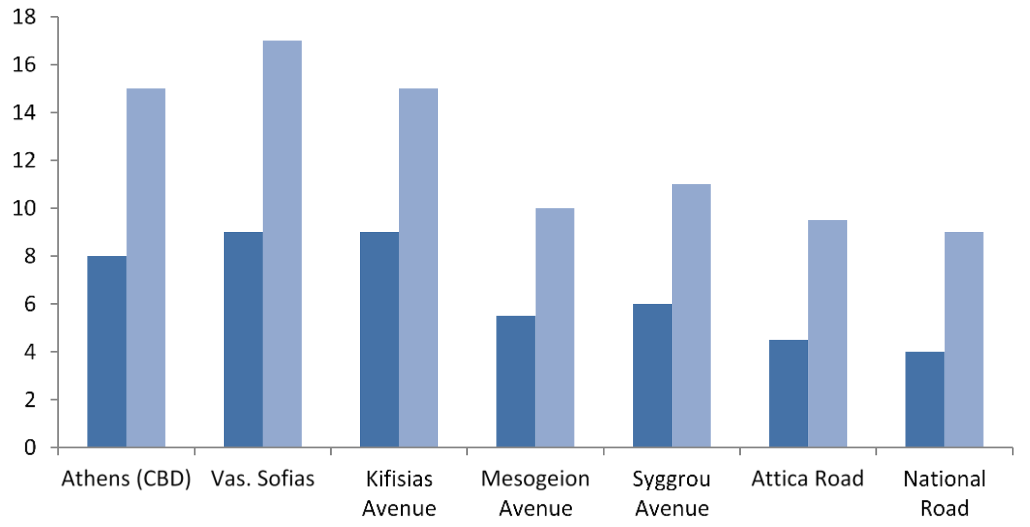


Fig. 9b: Sale prices (in €) per sq. m. for office space in select areas of Athens, 2015

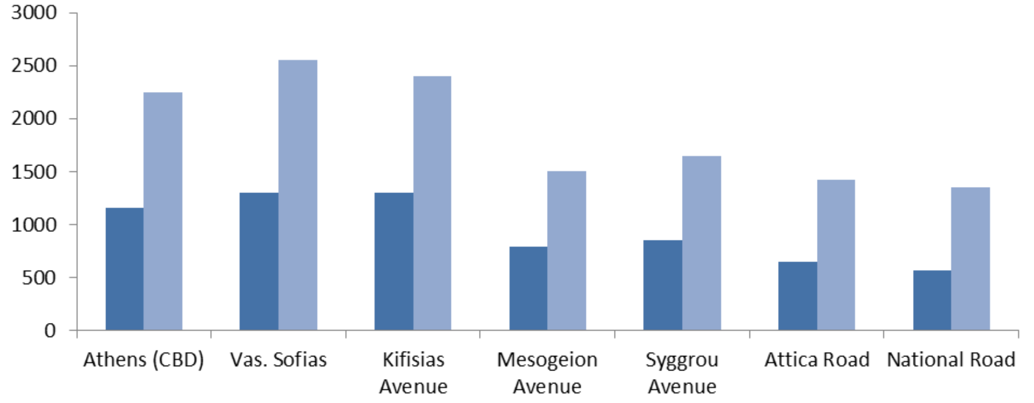


Fig. 9b: Sale prices (in €) per sq. m. for office space in select areas of Athens, 2015

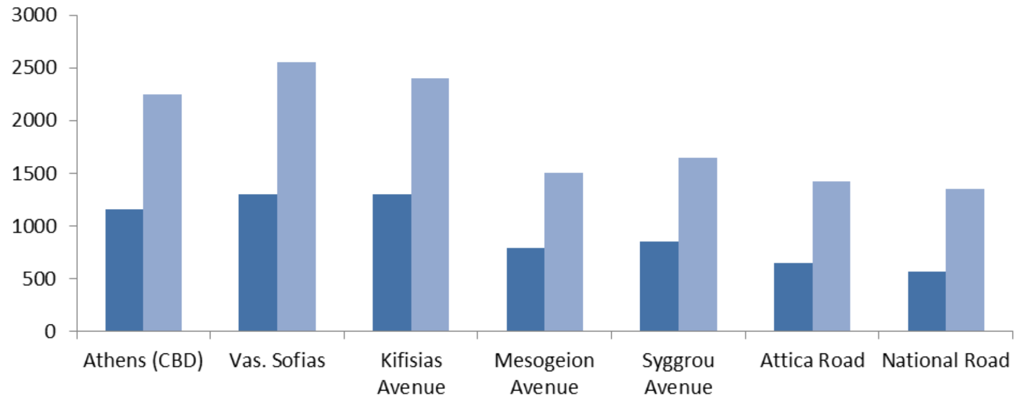
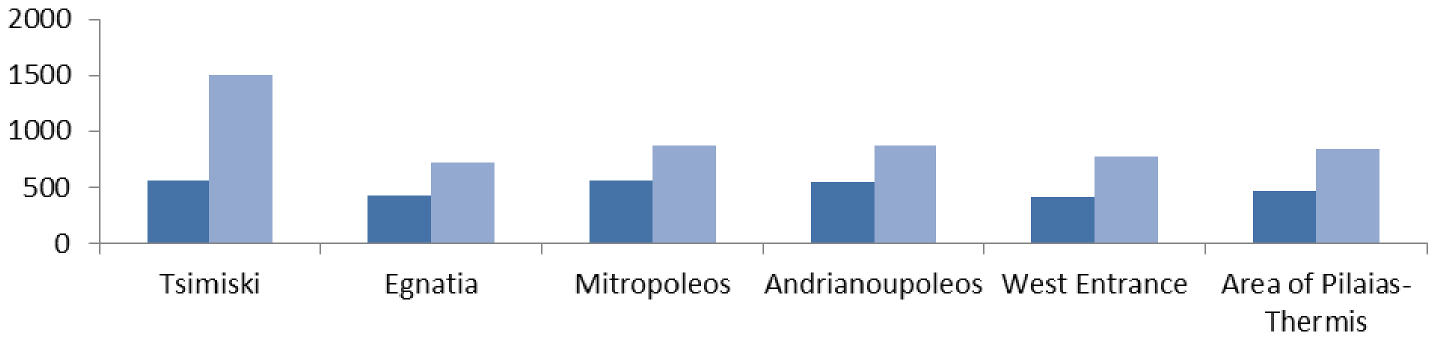


Fig. 10b: Sale prices (in €) per sq. m. for office space in select areas of Thessalonica, 2015



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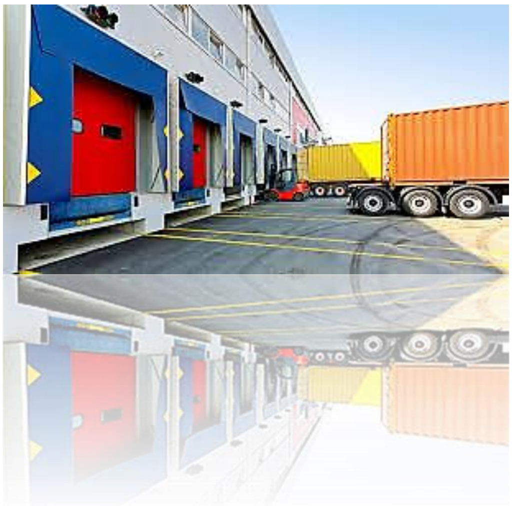


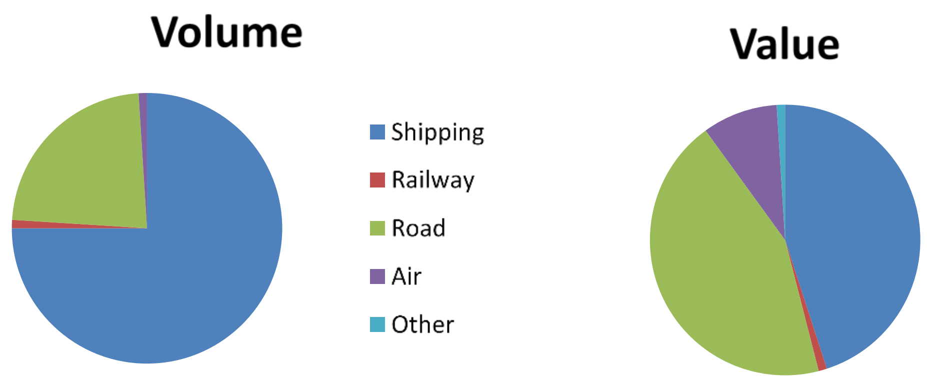
LOGISTICS

According to the World Bank most logistic zones in Greece have been developed without planning, generating inefficiencies in the facilities. In Attica region, the main concentration is in areas connected by Attica road. These areas are Thriasio, Elefsina, Aspropyrgos, Mandra and Mesogeia. In contrast, the industrial area of Sindos, located in Northern Greece, is a logistic zone with excellent planning as well as access.

In addition to this, the Greek port of Piraeus could become one of Europe's top five container-shipping. It is expanding as China-based Cosco Pacific Ltd. operates in the piers and prepares to offer cargo-train shipping to multinational companies. The logistics industry including transportation contributes around 10 percent to 12 percent to Greek gross domestic product, which has shrunk by about a quarter since 2008, and can help revive economic growth.
Railway can play an important role in Greek logistics. Despite the fact that it is fast and cheap, it is rarely used for freight transport. Rail transport is an important mode of transport and good help Greece competiveness. If ports such as Piraeus and Thessaloniki are to fully develop into gateways into Southeast Europe, a long-distance rail connection between Eastern and Western Europe will be essential. Below it is a graph with volume and value of exports using various modes of transport (WB report).

In January 2016 the Ministries of 'the Economy, Development, and Tourism', and of 'Infrastructure, Transport, and Networks' took a joint decision to launch a Council for Logistics Development and Competitiveness. The Ministries' rationale was that the Council could help realize the significant potential for further growth of the industry, whose contribution to the country's GDP is presently about 10%. The Ministries think that, with proper support, the industry, taking advantage of Greece's geographical position, can become Greece's second biggest, after tourism.

Nevertheless, the Greek logistics industry, following a rise in the second half of 2014, was hit hard by developments in the Greek economy in 2015, particularly the imposition of capital controls. International land transports have been hit particularly hard (a drop of 80% in business between 2015 and 2014) as, e.g., even though there were shipments to export, transport firms would not accept them as they would have to return empty (unless, of course, the cost was assumed by exporters).



Source: SEV, edited by GLP Values

The completion railway between Piraeus and Thriasio will increase the container traffic. The southern port of Piraeus is the deepest seaport on the Mediterranean, and it has already started developing as a significant trans-shipment center. In the north, the port of Thessaloniki also has potential to evolve into a gateway to Southeast and Central Europe.

Greece logistic performance is not well compared with its neighbors. According to the World Bank, Greece's performance in the logistic sector in 2012 ranks 71st out of 160 countries. The above ranking is based on the customs clearance, quality of trade, transport infrastructure, logistics services as well as competitively priced shipments. In 2014, Greece is in the 44th place in the rankings, with Logistic Performance Index (LPI) in 3.2 units, where it tends to perform less than Romania (40th place with 3.26 units), Turkey (30th place with 3.5 units), Portugal (26th place with 3.56 units) as well as Italy and Spain (20th and 18th place with 3.69 and 3.72 units respectively). In the top of the rankings is Germany with 4.12 units.

Moreover, the industry has been affected by the increasing cost of the fuels (VAT as well as fuel duty on petrol and diesel), which has lowered profit margins. According to IBHS from a survey contacted out of 253 companies the turnover fell by 4.7% in 2012 to 1.03 billion Euros. The 55% of the companies faced sales decline. Profits before interest, taxes, depreciation and amortization (EBITDA) fell by 18% to 61.37 million. In 2013 there is an increase in turnover of 1.8% as well as a growth in EBITDA of 12.8%.

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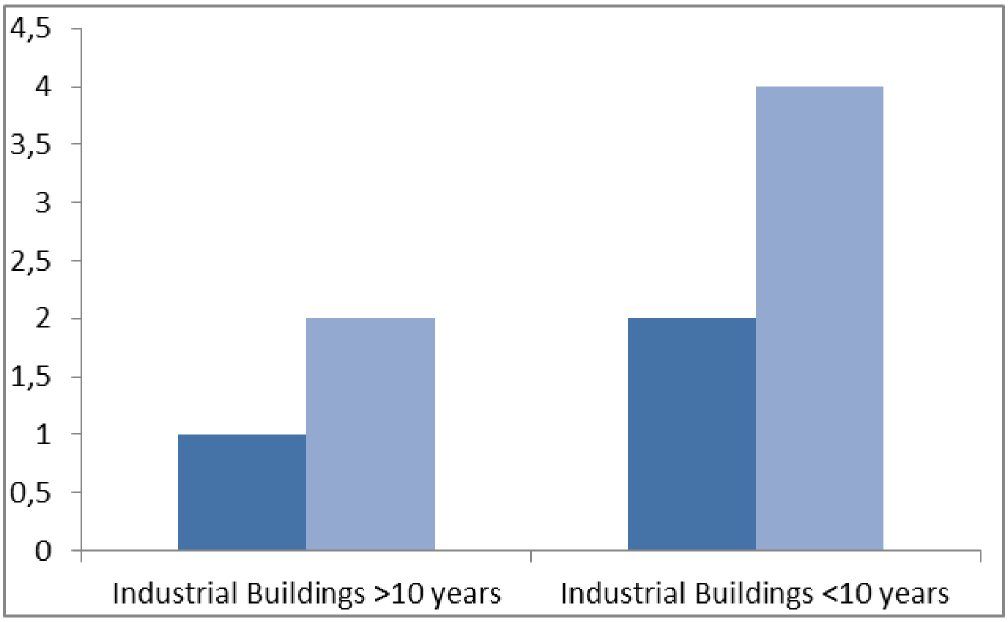
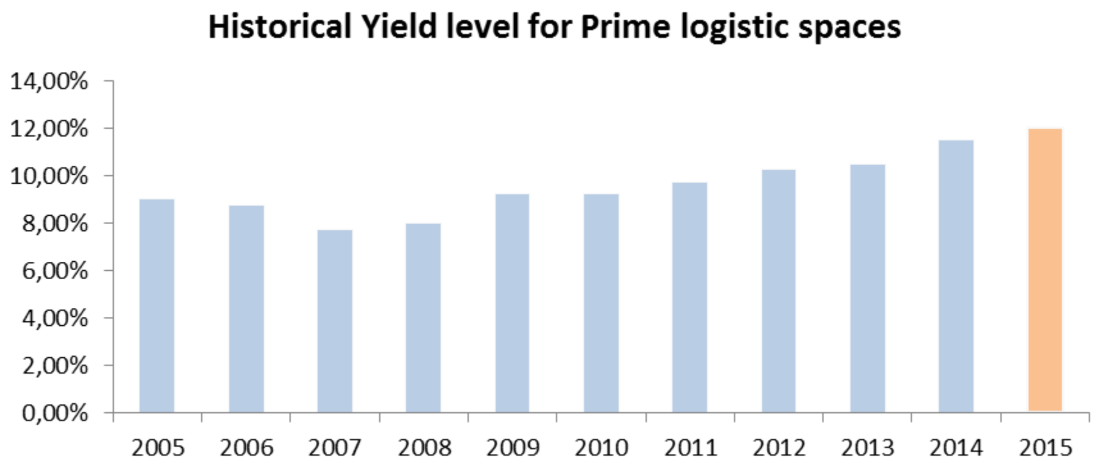
Furthermore, despite the progress made of the introduction of the new framework in the logistic industry, outsourced logistics services in Greece is approximately two times lower compared to the European Union average (23% to 49% for EU). Also, according to World Bank in 2012 only the 18% of the freight volume was transported by trucks, versus 80% in the European Union.

In General....

The logistic market followed the general trend with the economic crisis to affect the sale as well as the lease price. Transactions were not completed due to lack of funding and investor's confidence. Rents for industrial buildings <10 years varies from 2.00 €/sq.m to 4.00 €/sq.m for Grade A logistic buildings (in some cases the maximum rent level approaches 4.5€/sq.m), whereas for properties <10 years rent varies from 1.00 €/sq.m to 2.00 €/sq.m. The last decade rents have been decreased approximately 50%. Yields have been maintained at high levels, from 11% to 13%.

Industrial Buildings





Supply for new-built logistic spaces was limited during 2014-2015 due to the fact that developers were unwilling to proceed without signing with potential buyers or tenants. Also we have to mention in 2014 Grivalia REIC invested approximately 14 million Euros in two logistic properties in the area of Aspropyrgos, with an implied yield of approximately 11.5%.

The German chain supermarket Lidl invested 130 million euros for the two new industrial spaces. The first one operates in Attica (50,000 sq.m. in the area of Kalyvia) and the second one in Thessaloniki (Industrial Area of Sindos). In the second case, Lidl bought from Aldi an area of 200,000 sq.m. with 60,000 sq.m. of storage, for 36 million euros, which is the largest storage facility that the company has in Europe. With this move, Lidl opens new perspectives for its further penetration in the Balkans. With additional 15 million euros for the expansion of the existing facilities in order to accommodate a larger volume of goods, the total investment is 40 million euros.

Finally, the planned sale by the Greek state of its majority interest in the Port of Piraeus to COSCO (China Ocean Shipping Company), as well as the planned sale of Greek Railways, could mean Greece's upgrading as a nod for international supply chains in the near future.

GREECE's INDUSTRIAL MAP

Athens

North Attica (Viotia)
1. Oinofyta, Schimatari, Thiva

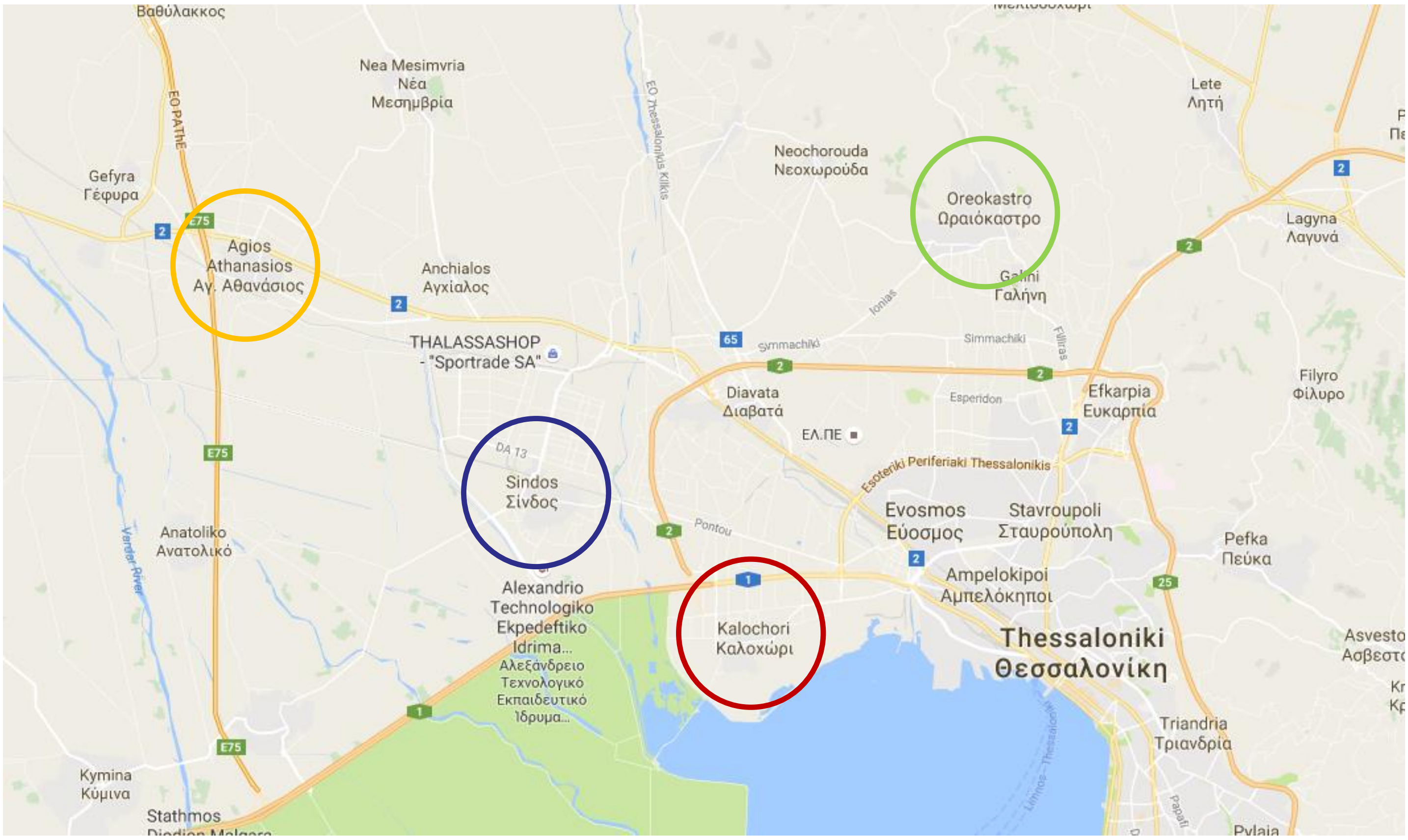
West of Attica
2. Aspropyrgos , Magoula, Mandra, Elefsina

North Attica
3. Acharnae, Metamorfosi, Likovrisi, N.KifisiaAgios Stefanos, Krioneri, Avlona

Piraeus
4. Port, Agios Ioannis Rentis, Perama, Drapetsona

East Attica (Mesogia)
5. Paiania, Koropi, Markopoulo, Kalivia, Spata, Airport

Thessaloniki industrial market



——	SINDOS
——	OREOKASTRO
——	KALOCHORI
——	AGIOS ATHANASIOS

Thessaloniki industrial market consists of four areas; Agios Athanasios area, Sindos, which is an industrial zone recently developed with efficient and reliable logistic services, Kalochori as well as Oreokastro.

Rent levels in Thessaloniki varies from 1.50 €/sq.m to 3.50 €/sq.m, with the industrial area Sindos achieving the highest rent values. In terms of yield, Thessaloniki is at the same levels with Attica region from 11% to 13%.

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