

S1 2024 MARKET INSIGHT REPORT



THESSALONIKI MARKET REPORT

In the first quarter of 2024, the Greek economy experienced a year-on-year growth of 2.1%, up from 1.3% in the fourth quarter of 2023. This marks a recovery in momentum following a subdued second half of 2023, impacted by a temporary decline in fixed capital investment and flood-related losses in agricultural production. The primary drivers of this growth were private consumption and, to a lesser extent, investment. Government consumption saw a significant decrease. Net trade negatively affected GDP, with a substantial decline in exports and an increase in imports.

Macro Figures

Following the pandemic and energy crises, the credibility of monetary policy and the rapid recovery of aggregate supply have driven down inflation, aiding the euro area economy rebound in Q1-2024 after posting negative growth in the fourth quarter of 2023.

Amid this environment, the Greek economy continues to grow in 2024 at a satisfactory pace. Headline inflation keeps falling, the labour market remains strong and fiscal aggregates are improving.

Annual HICP headline inflation in the euro area ticked down to 2.5% in June 2024 from 2.6% in May. Core inflation remained unchanged at 2.9%.

Indicators	2023	2024	2025
GDP growth (% yoy)	2.0	2.2	2.3
Inflation (% yoy)	4.2	2.8	2.1
Unemployment (%)	11.1	10.3	9.7
General government balance (% of GDP)	-1.6	-1.2	-0.8
Gross public debt (% of GDP)	161.9	153.9	149.3
Current account balance (% of GDP)	-5.8	-5.2	-4.8

Source: ec.europa.eu

Greek Economy Overview

Following a very strong post pandemic recovery, in 2023, real GDP growth was still high at 2%. It remains well above Greece's long-term growth potential and the euro area average. Economic activity was driven by private consumption, that benefitted from rising real disposable incomes, by investment in construction, and by net exports, while inventories were a drag on growth.

Inflation, as measured by the HICP, averaged 4.2% in 2023, down from 9.3% in 2022. Strong disinflation is attributed solely to the energy component. According to available data for the first five months of 2024, food, non-energy industrial goods and services inflation has fallen considerably from the corresponding 2023 levels. Moreover, energy inflation remains in negative territory.



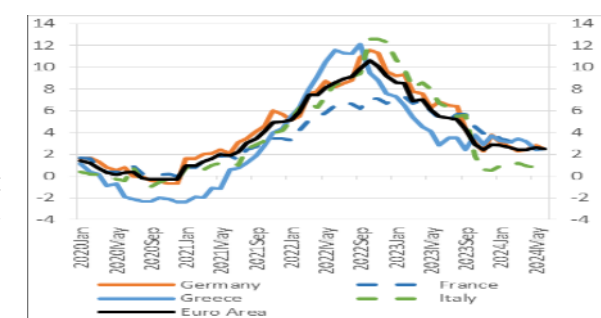
Source: ELSTAT, year of reference 2015

↑ Private consumption increased at a steady pace of 2.2% y-o-y in Q1-2024, on the back of supportive labour market conditions, rising non-labour income, and accelerating consumer credit which rose to 4,5% y-o-y in March 2024, compared to 3,4% in December 2023.

↑ The total nominal compensation of employees was up by 5.6% y-o-y and by 2.5% y-o-y in CPI-deflated terms in Q1-2024, reflecting an increase in employment of 1.6% y-o-y in this quarter and an ongoing catch-up in real wages. The positive attribution of wealth rising effects related to real estate and financial asset prices was also significant, with house prices up by 10.4% y-o-y in Q1-2024 and 13.8% y-o-y in FY-2023.

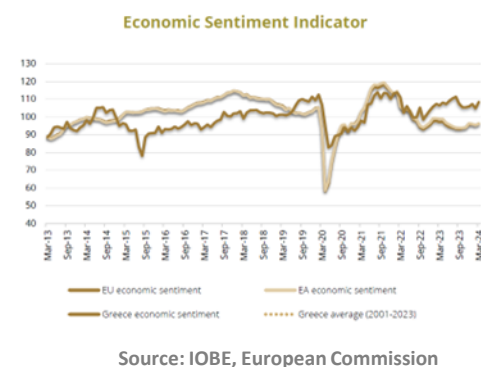
✓ Business activity would have been even stronger, without the persistent drag from the flood affected agricultural sector, which resulted in a heavy 17,3% y-o-y fall in Q4-2023.

↓ Annual HICP headline inflation in the euro area ticked down to 2.5% in June 2024 from 2.6% in May. This is due to declines observed in unprocessed food and in energy while the other three components remained unchanged. Core inflation (HICP excluding energy and food) remained unchanged at 2.9%.



HICP Headline inflation, annual changes %, Source: Eurostat, Latest observation June 2024

↑ Annual HICP headline inflation in Greece ticked up to 2.5% in June 2024 from 2.4% in May. The most important development in June 2024 was the significant increase in services inflation (to 4.4% from 3.3%) which offset the remarkable decline in unprocessed food inflation (to -1.7% from 2.2%). Core inflation increased significantly to 3.4% in June 2024 from 2.8% in May 2024 because of a higher annual rate in services.



Source: IOBE, European Commission

↑ The Economic Sentiment Indicator (ESI) edged further upwards to 109,8 in April-May 2024, compared with 106,9 in Q1-2024, and a FY-2023 average of 107,6. The improvement in sectoral confidence, as regards ESI components, was broad-based reflecting a positive assessment of current demand conditions, in most sectors, as well as prospects of higher business activity and export levels in the coming months.

Conjunctural indicators have also shown signs of increasing Dynamism. Employment growth accelerated to 3.6% y-o-y in April from 1.6% in Q1-2023, with the number of job vacancies spiking to an all-time high. Business turnover surged by 16.1% y-o-y in April from +1.8% y-o-y in Q1-2024 and -3.8% in FY-2023, and International arrivals to the Athens International Airport rose by 22.3% y-o-y in April-May, from 19.4% in Q1-2024

Inflation slowed further in May, at +2.4% y-o-y from +3.1% in Q1-2024, and is expected to decelerate towards 2.0% in the coming months, supporting household's real disposable income growth.

With geopolitical stakes still high because of the ongoing war in the Gaza district, positive dynamics in tourism, improved business environment and a declining differential cost of financing, kept the Greek economy moving in a satisfactory growth rate. Greek banks are in a better position than in the past to withstand potential shocks, with the liquidity and funding conditions significantly improved.

With pent-up demand largely exhausted, private consumption is now mainly supported by rising real income and it is set to increase at a slightly lower rate in 2024. The projected gradual easing of financing conditions and the accelerated implementation of RRP-related projects are forecast to stimulate gross fixed capital formation, which is expected to pick up from 4.0% in 2023 to 6.7% in 2024, with GDP expected to grow by 2.2% in 2024. In 2025, economic growth is projected at 2.3%, with investment being the key contributor to output growth, while household spending is likely to be further supported by a rise in real income.



OFFICE MARKET REPORT

Office market in Thessaloniki has shown an increasing demand over the 1st semester of 2024 despite the energy crisis and the rise of inflation.

OVERVIEW

Thessaloniki's office market has demonstrated robust activity over the past three years, with interest remaining high throughout the first half of 2024.

THESSALONIKI OFFICE MARKET

The increased demand for Grade A office spaces and the limited supply have driven up rental and sale values in Thessaloniki's office market.

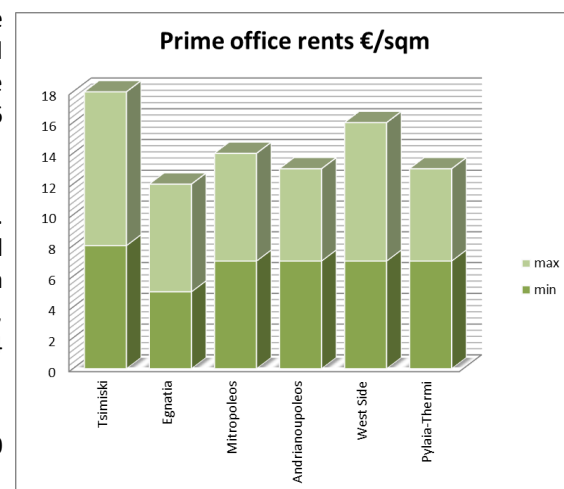
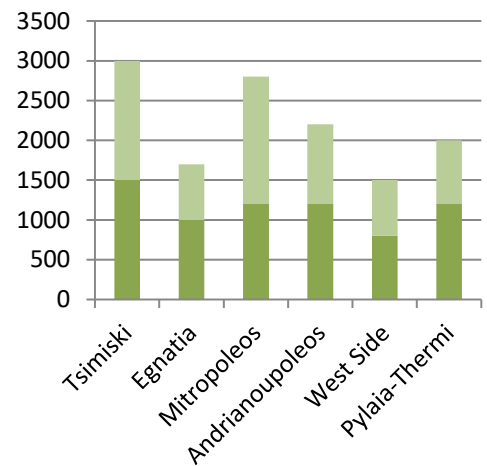
Near the city center, at the western entrance of Thessaloniki on 26th October Street, a new project by Dimand/Prodea REIC is set to open its doors in September 2024. The HUB 26 project features four blocks with a two-level joint underground parking and auxiliary spaces, encompassing a total area of approximately 31,000 sqm. The total investment for this project is around €35 million.

Dimand and Black Sea Trade have signed a contract for the sale of the Citrus office building. This bioclimatic office building, which will span approximately 5,170 sqm and achieve LEED Gold certification, will be constructed adjacent to HUB 26. It will include office spaces, meeting rooms, and an event hall, with a total investment of about €16 million.

Piraeus Bank and Dimand are collaborating on the redevelopment of the FIX property. They have agreed on a bond loan of €100 million for this €160 million project, which will cover approximately 50,000 sqm. The redevelopment will transform the property into a mixed-use space featuring hotels, residences, offices, cultural spaces, sports facilities, restaurants, and commercial stores. The project is expected to be completed within 3-4 years, starting in early 2025.

Additionally, at the nearby Atrina Center, Kuehne Nagel has leased approximately 3,500 sqm.

On the east side of Thessaloniki, along Georgikis Scholis Avenue, Epsilon Net has purchased a 7,200 sqm building, which will be fully renovated to house the Group's central services.



Source: Danos, an alliance member of BNP Paribas Real Estate

Thessaloniki has become a prime destination for multinational companies such as Pfizer, Deloitte, and Chubb.

A significant commercial real estate project, currently underway is located in the Thermi area, eastern Thessaloniki, spearheaded by Thermi Group with an investment of approximately €15 million.

Thermi Real Estate AE has acquired a substantial property from Piraeus Real Estate, which includes two buildings with a total area of 14,000 sqm on a 12,000 sqm plot within the Municipality of Thermi. Each building features three floors and two basements designated for parking spaces.

Thermi Group plans to undertake extensive renovations and energy upgrades to transform these buildings into prime office spaces available for rent. The renovation is expected to be completed some time in the first half of 2025.

IWG is also looking to expand its business in Thessaloniki, particularly on the eastern side of the city, due to the high demand for flexible co-working spaces. This demand is reflected in the positive financial performance of their first property in the city center, benefiting both the company and the building owner.

The increased demand for office spaces has stimulated construction activity, with developers actively seeking plots for new developments or buildings suitable for conversion and upgrades. The city center and the eastern side of Thessaloniki remain the most sought-after locations, while the western side is gaining attractiveness due to its proximity and easy access to the city center.

- In the city center the rents fluctuate between €11-18 / sqm / month for the prime areas (e.g. Tsimiski street) and in € 7-10 / sqm / month for the secondary streets (e.g. Venizelou street).
- In Western Thessaloniki, the rentals for HUB26 fluctuate between 16/ sqm/ month, plus the parking areas- if needed. For older buildings the range is between 7-12/sqm/ month.
- In the Eastern Thessaloniki the rentals for the existing buildings fluctuate at €7-13/ sqm/ month.

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

Office Market Trends			
Rentals	Yield	Absorption	Vacancy Rate
			

Source: Danos an alliance member of BNP Paribas Real Estate



S1 2024 MARKET INSIGHT REPORT



In the retail market, prime locations and shopping malls continue to attract significant investor interest. At the same time, e-commerce is steadily increasing its share of total sales.

OVERVIEW

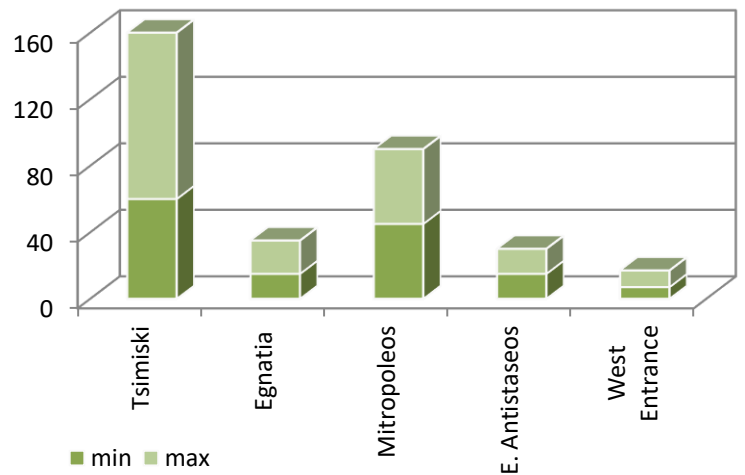
The retail market in Thessaloniki during the first half of 2024 was marked by numerous relocations and new openings. A large number of new companies are actively exploring opportunities in the Thessaloniki market.

THESSALONIKI RETAIL MARKET

Retail rents on the main commercial streets in Thessaloniki's city center remained stable during the first semester of 2024, compared to the previous semester. On the most desirable section of Tsimiski Street, between Kouskoura and Komnion Streets, monthly rental prices range from €120 to €140 per square meter.

The anticipated operation of the Metro is also making Egnatias Avenue more attractive to some local businesses.

Retail Rental Values - Thessaloniki €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate



New Openings & Trends

New Openings & Trends

Marks & Spencer has completed its relocation to 55 Tsimiski Street. The new store spans ten floors and covers a total area of 2,000 sqm. This latest concept store includes clothing for women, men, and children, along with a section dedicated to the chain's food offerings. This is M&S's third store in Thessaloniki, with the other two located in Mediterranean Cosmos and Makedonia Mall, and it marks their 27th location in Greece.

KIKO MILANO, one of Italy's leading makeup brands, represented exclusively by Fais Group in Greece, Cyprus, Bulgaria, and Romania, opened a new store at 52 Tsimiski Street back in May. This store in Thessaloniki is the latest addition to the brand's 25 locations in Greece.

The well-known company My Market is expanding its network with a new concept store called My Market Local, growing through franchising. The company has already selected three properties for this concept, all located on the eastern side of the town: Vas. Olgas Street, Kerasountos Street in the Kalamaria area, and in the Harilaou area. These locations are all in residential neighbourhoods.

Pepco, a discount chain specializing in clothing, footwear, accessories, cosmetics, and home decor items, has opened a new shop in Thessaloniki in the Kalamaria area at 3 Etnikis Antistaseos Avenue. The company continues to expand its network in Greece.

Investment Retail Properties - Main yields

For the first semester of 2024, yields for high street retail units in Thessaloniki remain stable at approximately 5.50% - 6.00%. In secondary markets such as Kalamaria, Pylaia, and the western areas, yields range from 7.00% - 8.50%.

An exceptional investment opportunity is currently available in Thessaloniki. This property, part of Bain Capital's portfolio, is located at 84 Tsimiski Street, one of the most prominent commercial locations in Northern Greece.

The property spans 582 sq.m. and has a long-term lease agreement with ITX Hellas, the subsidiary of the Spanish Inditex group, which includes brands such as Zara, Bershka, Pull & Bear, Oysho, Massimo Dutti, Stradivarius, and ZARA Home.

The property is leased to the Oysho brand. DANOS, an alliance member of BNP PARIBAS Real Estate, is one of the two companies exclusively promoting this property. Non-binding offers are expected until September 20, 2024.



Tsimiski str, BERSHKA



Tsimiski str, KIKO



Tsimiski str, OYSHO



LOGISTICS MARKET REPORT

The logistics market in Greece has experienced impressive growth in recent years, driven by rising demand and the country's strategic geographic position. This upward trend is anticipated to continue into the second semester of 2024. Concerns from 2022 and 2023 about rising construction costs for new warehouses and increasing prices of raw materials have now stabilized, supporting continued market expansion.

OVERVIEW

The industrial and logistics sector in Greece offers a comprehensive suite of supply chain services, primarily generating revenue from warehousing and distribution activities, as well as the organization and management of road transportation. Significant projects are underway across the country, with Athens and Thessaloniki emerging as the key hubs for logistics activities.

THESSALONIKI LOGISTICS MARKET

In the first half of 2024, Thessaloniki's logistics sector continued to attract significant investor interest, building on momentum from the previous semester and showing notable increases in both property sizes and financial inflows. Demand remains high in Western Thessaloniki, particularly in areas with immediate access to the port and railway.

Key locations of interest include Kalochori, where a new organized industrial area is set to emerge by 2028, the road linking Sindos to Halastra, and the Sindos Industrial Area itself. The growth of e-commerce has further elevated Thessaloniki's role as a major transit trade hub. This upward trend is expected to persist into the next semester.



Rentals In Thessaloniki's Logistics Market (€/sqm/month)		
	MIN	MAX
GRADE A	3.5	4.25
GRADE B	2.5	3.4

Thessaloniki is rapidly enhancing its appeal as an international logistics hub, with numerous new projects either underway or in the planning stages.

Key developments include:

Ex Gonou: In the latter half of 2024, the construction of a major commercial and logistics center at the former Gonou military camp is expected to be announced. This project, covering 672 acres, aims to establish Thessaloniki and Northern Greece as key international transit hubs. With a total investment of approximately €200 million, the development will create 3,000 new jobs.

DIMAND (Ex Balkan Project): A new logistics center is set to be developed on a 355-acre site in western Thessaloniki, formerly known as Balkan Export. Located 23 km from Thessaloniki's city center and 16 km from its port, this project will be executed in two phases. Covering around 120,000 sqm, it represents an investment of approximately €160 million and is expected to generate 150 new jobs.

Expansion of OLTH: By autumn 2024, specifically after September or October, a Presidential Decree is anticipated to facilitate the extension of the 6th pier at the Port of Thessaloniki.

This critical development, part of OLTH SA's mandatory investment commitments following its privatization, will enable mainline ships to dock and significantly enhance the port's capabilities. Spanning 30 months, with completion expected by early 2026 if there are no delays, the upgraded pier will double the container handling capacity and transform both the port and the city.

Logistics hubs such as Kalochori and Sindos are currently attracting significant investor interest, a trend that is anticipated to persist into the second half of 2024.



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 2024.



RESIDENTIAL MARKET REPORT

The residential real estate market demonstrated continued growth in the first half of 2024. This positive trend persisted despite the challenges posed by the Gaza conflict, which impacted borrowing costs, energy prices, and overall construction expenses.

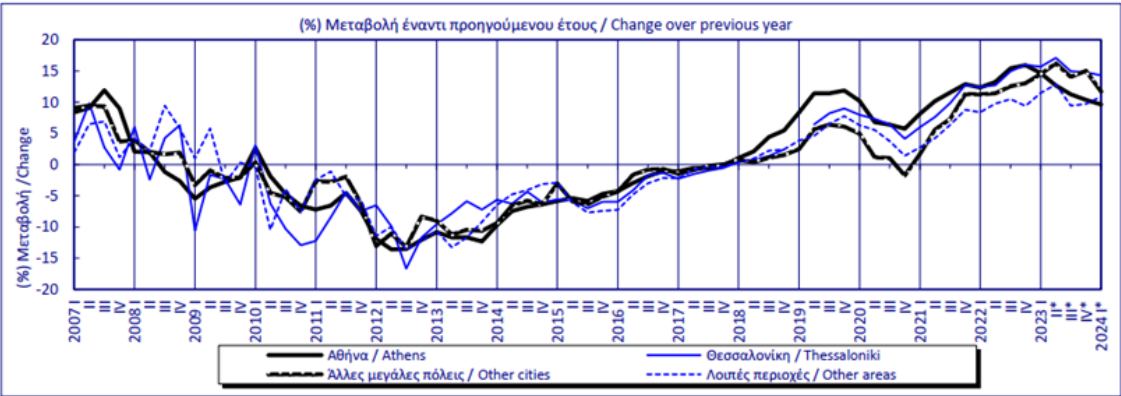
OVERVIEW

Residential market activity was significantly driven by Airbnb projects during the first half of 2024, with many properties being purchased and renovated for short-term rentals. Additionally, there was heightened interest in properties eligible for Greece's Golden Visa program, fueled by anticipated price increases in the coming months.



THESSALONIKI RESIDENTIAL MARKET

In the first half of 2024, residential property prices in Thessaloniki continued their upward trajectory. The Housing Index in Greece rose to 98 points in Q1 2024, up from 95.50 points in Q4 2023. Historically, the index has averaged 78.31 points from 2006 to 2024, with a peak of 102.20 points in Q3 2008 and a low of 58.90 points in Q3 2017.



Source: Bank of Greece

During the first half of 2024, a significant development in the residential market was the revision of the Golden Visa program. The Greek government has adjusted investment thresholds to boost the availability of affordable housing for both sale and rent, aiming to mitigate residential pressure in high-demand areas.

Under the latest legislation, the minimum investment required for a Golden Visa has increased to €800,000 from €500,000 for properties located in Attica, Thessaloniki, Mykonos, Santorini, and islands with populations exceeding 3,100.

Additionally, the property must be at least 120 square meters and a single unit.

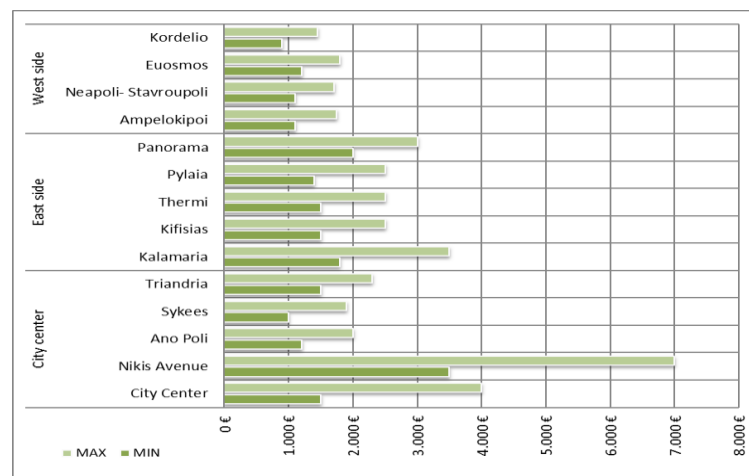
Investors can lease their acquired properties, but short-term rentals and use of the properties as company headquarters or branches are prohibited. Violations will result in the revocation of the residence permit and a fine of €50,000.

These changes are expected to decrease foreign investment volumes but should help stabilize housing sale and rental prices in major urban centers like Thessaloniki.

In Thessaloniki, local buyers, including young couples and families, are showing increasing interest in the eastern suburbs and the broader Municipality of Thessaloniki.

Halkidiki is rapidly becoming one of Greece's top destinations for both tourists and international buyers. The region is attracting significant interest, particularly from Germany, Serbia, and North Macedonia. Prospective buyers from these countries are primarily searching for apartments, detached houses, and maisonettes.

Apartments sale values - Thessaloniki €/sqm



Source: Danos an alliance member of BNP Paribas Real Estate

Residential market trends

	SALE	RENT
NEW CONSTRUCTIONS	↗	↗
OLD CONSTRUCTIONS	→	→

The trends and expectation for the residential market

Construction activity has surged notably, achieving a balance with stable demand, which is anticipated to rise further due to upcoming government stimulus measures.

Foreign investment, particularly from Israel, continues to be robust despite the recent conflict, and this trend is expected to persist.

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TOURISM & HOTEL MARKET REPORT

Data for the first half of 2024 shows a strong performance in tourism, significantly surpassing the results of the previous semester. Consumer confidence is gradually improving, and there is a growing eagerness to travel internationally, even amid the inflationary pressures on disposable income.

OVERVIEW

Early forecasts for this year's tourism performance suggest that revenues will exceed not only those of last year but also the record levels achieved in 2019. From January to May 2024, international air arrivals increased by 8.1%, while domestic passenger numbers rose by 7.9%.

Overall, Thessaloniki Airport "Makedonia" saw an 8.0% increase in total passenger traffic during the first five months of 2024.

THESSALONIKI AIRPORT "MAKEDONIA" - 2024 vs 2023

Passengers	Domestic			International			Total		
	Month	2024	2023	%Δ	2024	2023	%Δ	2024	2023
JANUARY	164.350	153.303	7,2%	242.005	219.230	10,4%	406.355	372.533	9,1%
FEBRUARY	171.559	154.846	10,8%	215.861	197.237	9,4%	387.420	352.083	10,0%
MARCH	185.372	175.983	5,3%	289.534	244.212	18,6%	474.906	420.195	13,0%
APRIL	191.290	184.841	3,5%	388.397	387.962	0,1%	579.687	572.803	1,2%
MAY	206.367	182.933	12,8%	480.270	446.195	7,6%	686.637	629.128	9,1%
TOTAL SKG	918.938	851.906	7,9%	1.616.067	1.494.836	8,1%	2.535.005	2.346.742	8,0%

Source: FG Traffic Data Management-Fraport Greece

The tourism and hotel sectors in Halkidiki and Thessaloniki continue to attract significant interest from foreign investors, offering compelling investment opportunities and competitive advantages.

New Hotel Openings

Brown is set to complete the Lighthouse project within the next two years, with a total investment of approximately €20 million. The development, located at the corner of Dodekannisou and Navmachias Limnou streets, will transform an old tobacco warehouse into a modern facility.

Fattal's 'NYX Thessaloniki,' situated at Tsimiski 1 and Katouni streets, is currently undergoing renovation and is expected to be completed by the end of 2025. The investment for this project is around €22 million, and the hotel will feature 130 rooms.

By the end of 2026, Thessaloniki will see the addition of a new luxury hotel, backed by an investment of approximately €30 million. The Electra Group is developing an 11-storey, 5-star hotel with 165 luxury rooms, covering about 6,500 sqm, at the intersection of Tsimiski and Ethnikis Aminis streets.

Halkidiki continues to be a prime destination for foreign visitors and investors.

Hyatt's latest venture, the Zoëtry Halkidiki Resort & Spa, is set in the Sani area and will offer 105 rooms and suites, a spa, gym, outdoor pool, two gourmet à la carte restaurants, a buffet, and three bars.

Additionally, Happy Holidays S.A. is expected to open a new hotel in Sarti by the end of 2025, managed by Mitsis Hotels for the next 20 years. This €20 million investment will feature two luxury units: a 52-room boutique hotel and a 98-room all-suites hotel, along with a wellness & spa center, gym, and a 150-person conference facility.

Finally, by the end of 2025, Goldman Sachs Asset Management plans to complete the renovation of three hotels previously acquired from Ghotel Group. The upgrades will transform the Pallini Beach (485 rooms), Athos Palace (413 rooms), and Theophano Imperial Palace (151 rooms) into luxury properties, with a total investment exceeding €100 million.



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