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Greek Property Market Issues and Challenges

Nicholas Chatzitsolis CRE®, FRICS
Managing Director AXIES S.A. Part of the of CBRE Affiliate Network

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GREEK ECONOMY OVERVIEW

- Bailout program to end in August.
- Theoretically the “crisis period” is will be over soon …… but not practically.
- Privatizations still an issue.
- Recent Banks stress tests successful.
- Capital controls have eased – exception opening private accounts abroad.
- Greek Government 10 year bond yields now around 4% with a negative trend.
- GDP: From 2008 to 2016 declined by almost 30%

  2018: Anticipated growth 2.3%
- According to a recent Reuters report, growth is the highest in 10 years.
- Unemployment: Has fallen from peak 30% in 2013 to just under 20% today.
- Inflation: From -2% (2014) to +0.80% (2018).

Greek Real Estate Market: The Good News

1. Greek Property Market: Best shape in 9 years.
2. Greek real estate can demonstrate a stable and strong long-term performance, provided that Government incentives and taxation conditions improve.
3. There is good potential to grow all real estate sectors, especially offices and logistics.
4. Crisis of confidence no longer exists.
5. Safety and security in the country appeal to international investors/buyers.
6. Yield compression for most property categories, e.g. offices 8% (2017) down to 7% (2018).
7. Slowly but steadily property development starts again (construction activity declined by 90% from 2007 to 2016).

Greek Real Estate Market: The Bad News

1. Market conditions could be better if real economy had recovered.
2. Serious property tax issues slow improvement.
   - ❑ VAT on property
   - ❑ Property Tax
   - ❑ Taxes imposed on Property Funds
   - ❑ False Government Property Tax rates
3. Low competitiveness of economy.

GREECE: COMPETITIVENESS RANK (WORLD BANK)							
2010	2011	2012	2013	2014	2015	2016	2017
46	56	58	54	57	50	56	57

4. Principal issue: High taxation.

<u>Solution:</u>

- ❑ Friendly tax policies for investors and restructuring of domestic production system for industry.
- ❑ Improvement of liquidity in the private sector.
- ❑ Simplification of property development procedures.
- ❑ Intensification of privatizations.

Residential Market Athens & Thessaloniki

- Tremendous Airbnb and Golden Visa impact especially in Central Athens.
  70% of acquisitions are in Athens metropolitan area.
- Mass acquisitions of residential properties by foreigners (Chinese, Arabs, Turks, East Europeans).
  2,700 residence permits for non EU nationals were issued in just 4 months this year.
- The “Safe Haven” consideration.
- Residential property rents on the rise.
- High income residential areas still indicate oversupply.
- Property management firms have also increased – new skills.
- What will happen if E.U. reviews the “golden visa program”.

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Investment Market

- Cannot talk about real recovery yet as demand is increased at a slow pace.
- Investment market is still small.
- Local REICs however, are very active at the moment.
- Local REICs cannot attract adequate foreign investment due to tax issues.
- Greece VS Spain – **3bn against 20bn**.
- Examples of major deals for 2017-2018 are:
  - ✓ 190m acquisition of 50% share by Lamda Development from IRERE Property Investments Luxemburg (THE MALL ATHENS)
  - ✓ Varde entered into in partnership with Lamda Malls.
  - ✓ Major acquisition of an NPL portfolio by Bain.
  - ✓ A 24m office complex in Northern Athens Business district.
  - ✓ At least 20 notable acquisitions in just 18 months.

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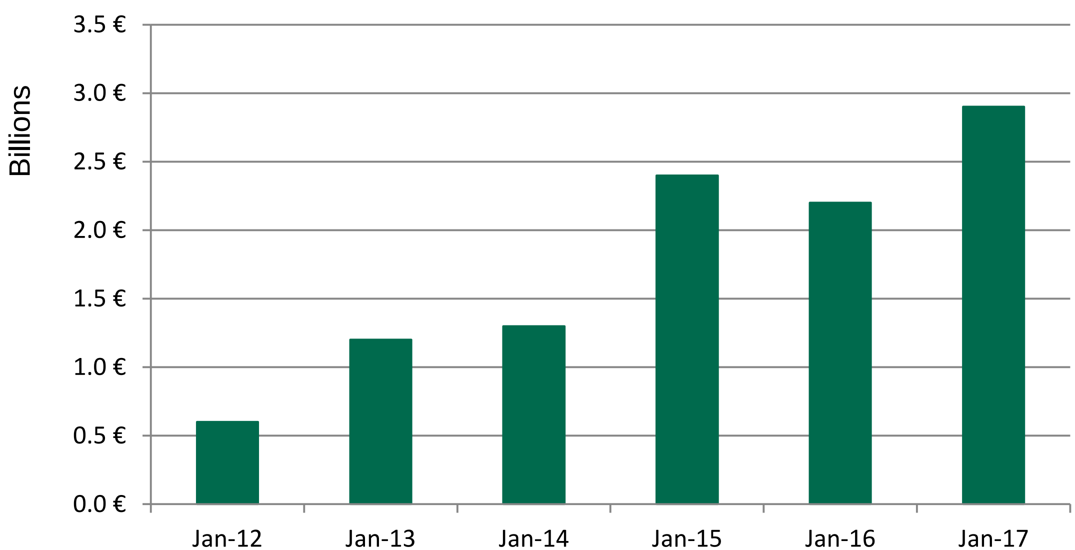
Greek listed RE market overview

- Listed RE represents 7.2% of the Greek stock market
  - vs. 3.2% Avg. Developed Europe
  - vs. 2.1% Avg. Emerging Europe

5 companies with REIC status



Source: EPRA
European Public Real Estate Association

Office Market

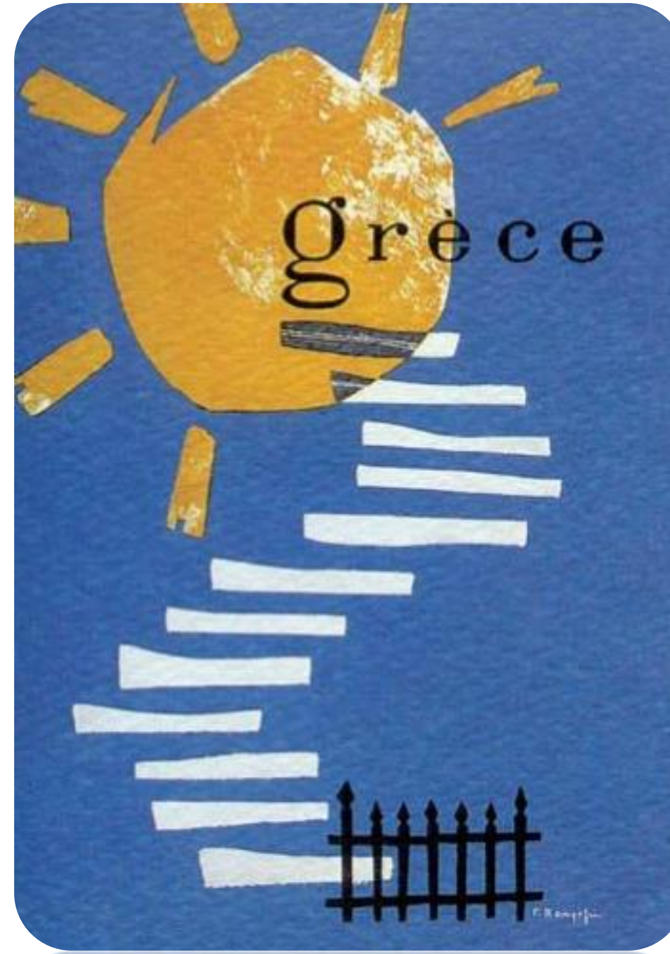
- There is significant demand for both occupier and investment market.
- Recovery started with mass refurbishment and upgrading of existing stock but no serious project in pipeline.
- Lack of energy efficient buildings. Lack of grade A office space.
- Green commercial properties in demand demonstrating rents of up to 30% higher than regular rents.
- Greek REICs such as TRASTOR, NBG Pangaia and GRIVALIA acquired office property throughout 2017 and 2018 with yields ranging from 6.70% to 8.50%.

Retail Market

- Retail sector activity has fallen significantly since 2009 – almost by 45%.
- Signs of recovery appeared for the first time last year when a 1.9% increase was reported in the retail sales value index.
- Further growth is expected in the next 5 years: 3%-4%.
- Private consumption stands as 68% of GDP: was negative until 2014.
- The impact of real economy for Greeks still undermines consumption.
- Domestic locations have seen a rental fall due to fall of consumption.
- Retail properties have not been affected by e-commerce in tourism dominated locations.
- On the contrary a rental increase was registered in such areas.
- Further fall in terms of rental values in non tourism locations is anticipated.
- Shopping centers have performed better than high streets. Malls provide incentives for families.
- Shopping center / Retail Outlet values reported higher at the end of 2017.

Hospitality sector

The pillar of the Greek economy and property market.



In 2017:

- Tourism industry has reached a peak.
- Approximately 20m arrivals in 2017 with prospects for further improvement.
- Even during the crisis period the tourism sector performed better, compared with other economy sectors

2010-2012: The bad years

Since 2013 continuous growth.

Hospitality sector in Greece will be discussed and analyzed on the Hospitality Panel.

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COMPARATIVE TABLE

GREEK REAL ESTATE MARKET DURING THE CRISIS AGAINST CURRENT CONDITIONS

Crisis Period 2009-2017	2018
Imperfect & not transparent.	No change.
Not attractive taxation environment. (high taxes & complex taxation laws)	Still an issue.
Lack of liquidity & restricted financing.	Real signs of improvement. Banks still careful but started assisting entrepreneurs and developers.
Limited supply for newly built properties but adequate for older premises.	Many refurbishment schemes are on the way, especially in the office sector.
High demand for modern prime premises. High vacancy rates for secondary assets.	No change.
No interest for development property.	Some interest for development property.
Notable demand for hospitality & investment properties.	Increased demand for hospitality & investment properties.
Some transactions for prime properties have been registered.	Several transactions for prime & class A properties have been observed. Local REICs in particular very active.

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Thank You!