

AT THE
CROSSROADS
OF **3**
CONTINENTS

GREECE'S
LARGEST
ISLAND **5th**
MEDITERRANEAN

COASTLINE OF
MORE THAN
1,000
KILOMETERS

1st
ADVANCED
CIVILIZATION
IN EUROPE

BEACHES **105**
BLUE
FLAG

30 PDO
PRODUCTS

20 %
OF GREEK
TOURISM

6 MORE
THAN
MILLION
VISITORS/YEAR

INTERNATIONAL
AIRPORTS

2 

ONE PORT IN
EVERY
MAJOR CITY



DIVERSE
LANDSCAPE

3000 CAVES
50 GORGES
10 LAKES

2,800
HOURS OF
SUNSHINE
A YEAR

Real Estate Report

Holiday Home and
Hospitality Markets



SEA OF CRETE:



«CUTTING EDGE»

ALGEAN
PROPERTY 

Overview

Crete is Greece's largest island and the 5th largest in the Mediterranean Sea, and is located approximately 160 kilometers south of the Greek mainland. Together with its neighboring islands, Crete forms one of the 13 administrative regions of Greece. The island is subdivided into 4 prefectures – Chania, Rethymno, Heraklion and Lasithi, and 24 municipalities. Heraklion is the largest city and the administrative capital of the region. The total land area is 8,336 km² with a population of 623,065. The islands and islets of the area offer a coastline of more than 1,000 km. Crete is located at the crossroads of three continents, the south-western part of Asia, northern Africa and south-eastern Europe, and includes the southernmost part of Europe, Gavdos island.

The region has a very rich history and cultural heritage while still retaining its own local cultural

traits, dialect and traditions. The island was first inhabited in 6.000 BCE, as a prehistoric settlement. It was the center of the first advanced civilization in Europe, the Minoan. The Minoan civilization flourished between 2700 - 1420 BCE and ended with the volcanic eruption of Thera (Santorini). According to Greek Mythology, Zeus, was born in Crete, where his mother Rea hid him in a cave at Mount Dikti, so that Kronos, his father, wouldn't find him. The palaces of Knossos and Phaistos and the site of Gortys are the main archaeological sites of the region.

Large and impressive plateaus, breathtaking gorges, cliffs and numerous caves, lakes and rivers shape the mountainous and wild morphology of the region, offering an extremely rich biodiversity (flora and fauna). Crete has a mild Mediterranean climate with sunshine all year round and minor

seasonal changes. Snowfall and extreme weather conditions are common only in the mountain areas during the winter months. The climate adds to the attractiveness of the region as a holiday destination throughout the year.

Crete is a well-established holiday market worldwide. It offers long stretches of beach - more than 100 with Blue Flags eco-label, archeological and religious sites, local culinary experiences, ideal climate and beautiful landscapes as well as sports facilities - 2 golf courses and many water sports facilities, general hospital in every prefecture and numerous cafes, bars, clubs, taverns and restaurants. Its tourist infrastructure can support all types of tourism. It is a place of rare beauty that invites millions of people every year to discover the island's hidden treasures.

Demographic

Prefecture	Total Land (km ²)	Population	Population density people per (km ²) of land area
Heraklion	2,641	305,490	115.7
Chania	2,376	156,585	65.9
Rethymno	1,496	85,609	57.2
Lasithi	1,823	75,381	41.3



Economy

The economy of Crete is primarily based on tourism and services and it makes up for 7% of the Greek GDP. Agriculture and livestock farming were the main contributors to the economy until the mid-70's when tourism gained in importance. Agriculture played an essential role in the economy of the region due to the mild climate, the soil and the geomorphology of the island.

The island produces a wide variety of vegetables, fruit and flowers as it has 50% of Greece's greenhouses.

Viticulture and olive groves are also significant to the economy, while honey and herbs, grown on the island, are of excellent quality. Dairy products are also important with a number of high quality cheeses such as graviera (gruyere), mizithra and anthotyro. The island produces 30 products categorised as PDO (Protected Destination of Origin) including olive oils, cheeses, fruits and wines. According to a study published by the Technical University of Crete in collaboration with the

Cretan Museum of Natural History, 60% of Crete's terrain is suitable for 'green' energy investment. The renewable energy sector is expected to develop in the coming years, benefitting the economy and the employment of the region. Tourism is undoubtedly the Cretan economy's flagship, contributing more than 50% of the island's GDP. Crete attracts more than six million visitors every year and contributes 20% to the Greek tourism sector.





Tourism

Crete is one of the most popular holiday destinations in Greece for local and foreign visitors. The island is easily accessed by an array of international and local flights or by well serviced ferry connections. There is one port in every major city – Chania, Rethymno, Heraklion, Agios Nikolaos, welcoming around 2 million visitors mainly during the summer months. It is estimated that 500,000 additional people visited Crete through cruise ships in 2014, and recorded a 50% increase since 2012. The region also has two international airports, "Nikos Kazantzakis" in Heraklion and "Ioannis Daskalogiannis" in Chania as well as a smaller national one in Sitia. It is estimated that more than 4 million local and foreign visitors were serviced through the three airports in 2014. From all of

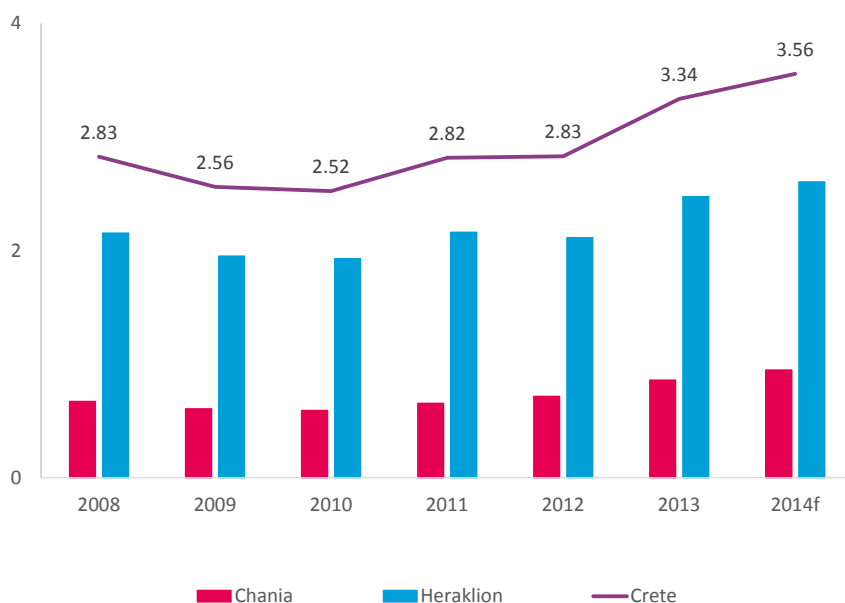
the above, in Crete, the share of visitors from abroad is 60%.

The main markets are Germany, UK, France, Russia and the Scandinavian countries. An increased share from Israel, UAE, Lebanon and China was also recorded in the last 2 years. It is estimated that above 3.5 million international tourists arrived at the two international airports in Crete in 2014. This was a 25% increase compared to 2012 while the growing trend is expected to continue in 2015. 'Ryan Air', the largest low-cost airline in Europe, created a base in Chania in 2013 with significant benefits in terms of tourism for the entire region. The two airports almost reach the limit of their capacity during the months of July and August. There is a long-standing plan to replace

Heraklion airport - the second busiest airport in Greece after the AIA (Athens international Airport) - with a completely new airport at Kastelli of a 10 million passenger capacity. The completion of the tender procedure is expected in the beginning of 2015 while Chinese, French, Greek and Spanish investor groups have expressed interest. The upgrading of the "Ioannis Daskalogiannis" airport at Chania is also under procedure.

Crete has all the features and the facilities to satisfy even the most demanding visitor. Sun and beach luxury tourism, agro-tourism, medical and therapeutic, cultural, religious, and gastronomic tourism, as well as many outdoor and sea activities are available for the visitor to enjoy.

International Tourist Arrivals at the main Airports (mil)



The main markets are Germany, UK, France, Russia and the Scandinavian countries

Overview

Crete is one of the most developed segments of the Greek holiday home market with a significant track record. A large number of transactions have been completed mainly by northern and central Europeans in the past years. Since 2009, the ongoing financial crisis

has weakened the demand from abroad, stopped any residential development and has led to a substantial fall in the sale prices. In 2014, the improvement of the Greek economy and the incentives to foreign investors, such as the "Golden" visa scheme, put some

spark back into the interest from abroad. If the new coalition government ensures a sustainable solution for the debt, securing political stability and the recovery of the economy, transactions will pick up for the entire Greek holiday home market in 2015.

Demand

Crete is a popular destination for all types of holiday home buyers. It offers easy access, moderate climate, quality of life, natural beauty and good investment value. In this context, Scandinavians, British, Germans and other Europeans have already bought properties in Crete either as holiday home, investment or retirement. During the financial crisis, the

demand was anemic both from locals and foreigners. A growing interest appeared in 2014. Northern and central Europeans look for residences in organised residential complexes but they are still wary due to political instability. There has been an increasing demand by non-EU citizens led by the "Golden" visa scheme - residence permit for investments

in excess of €250,000. Russians are interested in seafront detached residences mainly in the prefectures of Heraklion and Lasithi. Chinese are also considering buying land plots outside the residential zones to build their own residential communities, while Israelis and Arabs prefer luxury properties with swimming pool, sea views and on-site amenities.

Supply

The official survey by Elstat, "Population and Housing Census 2011", recorded that the total number of holiday homes in Crete was 37,470. This figure represents only 5% of the country's total stock of holiday homes. An additional amount of 44,186 residences was recorded as secondary homes in the same report. The number of holiday homes in Crete has remained essentially unchanged during the last three years as any residential development was put on hold. Before the financial crisis, the Cretan holiday home market was a fast growing market with strong

overseas demand and high building activity. Large residential complexes have been built and others are in the pipeline. It is estimated that the holiday homes for sale in Crete are about 5,000, as a number of residential complexes remain

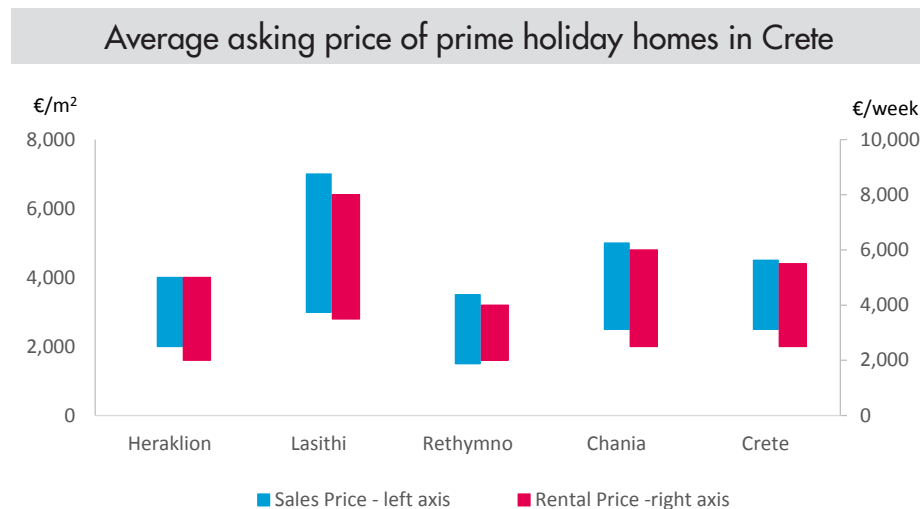
unsold and many Greek and foreign owners have placed their private residences on the market. The new growing overseas interest is adequate and can absorb the current supply and re-launch the investment activity in the region.

The new growing overseas interest is adequate and can absorb the current supply and re-launch the investment activity in the region



Prices - Transactions

Holiday home prices in Crete are expected to remain stable in 2015, following a cumulative decrease of 40% since the beginning of the crisis. The drop in high - end holiday homes is relatively lower. The asking sale price for prime holiday homes ranges from €2,500 - 4,500/m². Bargains at lower prices still exist, mainly by local owners or developers with matured debts. The rising interest by foreign visitors for rental of luxury villas has led many owners to let their properties at high rates. The higher rates are mostly found in the prefecture of Lasithi where the well-known luxury holiday destinations of Elounda and Ag. Nikolaos are located. According to our research, the high-end holiday homes in Crete are let at a €2,500 - 5,500 weekly rate, offering



more than a 5% average gross yield. Therefore, the acquisition of a holiday home in Crete is an excellent investment decision. An upturn in the number of transactions was recorded in 2014. On the other hand, the figures are still

below the pre-crisis levels and the region's potential. We expect this growing trend to strengthen further in 2015, assuming the political and financial stability of the country continues.

Cretan Holiday Home Market Snapshot

Stock	37,470
For Sale	up to 5,000
Sale Price (€/m ²)	2,500 - 4,500
Rental Price (€/week)	2,500 - 5,500
Expected Gross Yield	5,5%

The acquisition of a holiday home in Crete is an excellent investment decision

Outlook

Crete is an established holiday home market with great potential and an existing track record. It has all the infrastructure – airports, roads, ports, hospitals, shops, etc. – and features unspoiled landscapes and beaches, archeological and

religious sites, Mediterranean climate and cuisine and draws the attention of foreign holiday home buyers. The incentives in the new legislative framework and the substantial discount in sale prices offer investment opportunities

in a location with high tourism prospects. In 2015, demand from foreign investors will pick up on the number of transactions in the Cretan holiday home market and lead to the revival of investment activity in the region.



Overview

Crete is the key driver of the Greek hospitality market and contributes 20% to the Greek tourism sector. The performance of the tourism sector enhances the image of Crete as a tourist destination and draws the attention of international hotel operators, developers and

investors. Even though various international operators are already present in Crete, the Cretan Hospitality market is mainly controlled by local brands. The new investment friendly framework and tourism demand have rebooted the investment activity on the island.

Crete can support different types of tourist activities, such as sun and beach luxury tourism, agro tourism, cultural, religious, medical and therapeutic, outdoor and sea activities and gastronomic tourism.

Supply

The total hotel capacity in Crete amounts to 1,540 hotel units with 87,551 rooms and 166,370 beds according to latest data from the Hellenic Chamber of Hotels. Of which 14,693 hotel beds have been added to the stock of the region in the period 2008 - 2013, recording a 9.7% increase. More than 75% of new hotel beds were in the high end category. Crete contributes more than 20% of the country's hotel beds. The corresponding figure for

the country's 5 star hotel beds has climbed to 30%. Heraklion has the lion's share - 40.9% - of Crete's hotel beds with 68,122 beds along with 491 hotel units and 35,358 rooms, predominantly four and five star hotels amounting to 60% of the prefecture's hotel rooms and beds. The hotel capacity in Chania amounts to 536 hotel units with 23,357 rooms and 42,938 beds, mostly in the 2 star category. The hotel market in Rethymno is mainly in the middle categories.

The lack of international brands and upscale hotel units in Chania and Rethymno make their markets promising for hotel investors. Lasithi has the smallest share of Cretan hotel capacity. 26.2% of 5 star hotel beds in Crete are located in Lasithi, as the area is highly dedicated to luxury tourism. In Crete, the average hotel size is 57 rooms while for 5 star hotels the corresponding figure goes up to 206 rooms.

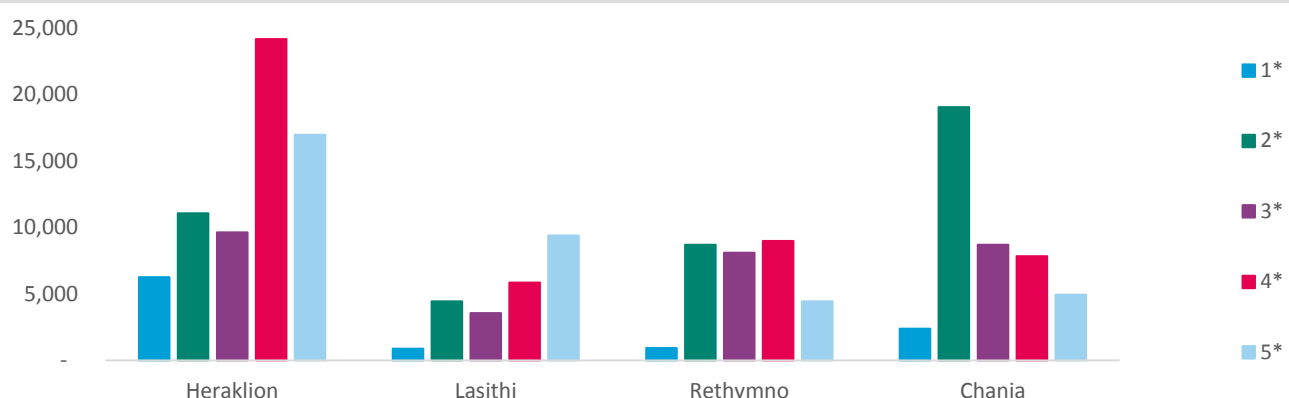
Hotel Capacity in Crete per category, 2013

	Hotel Units		Hotel Rooms		Hotel Beds	
	Number	%	Number	%	Number	%
1*	211	13.7%	5,688	6.5%	10,482	6.3%
2*	672	43.6%	24,019	27.4%	43,275	26.0%
3*	339	22.0%	15,916	18.2%	30,006	18.0%
4*	232	15.1%	24,220	27.7%	46,848	28.2%
5*	86	5.6%	17,708	20.2%	35,759	21.5%
Total	1,540	100.0%	87,551	100.0%	166,370	100.0%

Hotel Capacity in Crete per prefecture, 2013

	Hotel Units		Hotel Rooms		Hotel Beds	
	Number	%	Number	%	Number	%
Heraklion	491	31.9%	35,358	40.4%	68,122	40.9%
Lasithi	201	13.1%	12,423	14.2%	24,133	14.5%
Rethymno	312	20.3%	16,413	18.7%	31,177	18.7%
Chania	536	34.8%	23,357	26.7%	42,938	25.8%
Total	1,540	100.0%	87,551	100.0%	166,370	100.0%

Hotel Beds per category per prefecture, 2013



Perspective

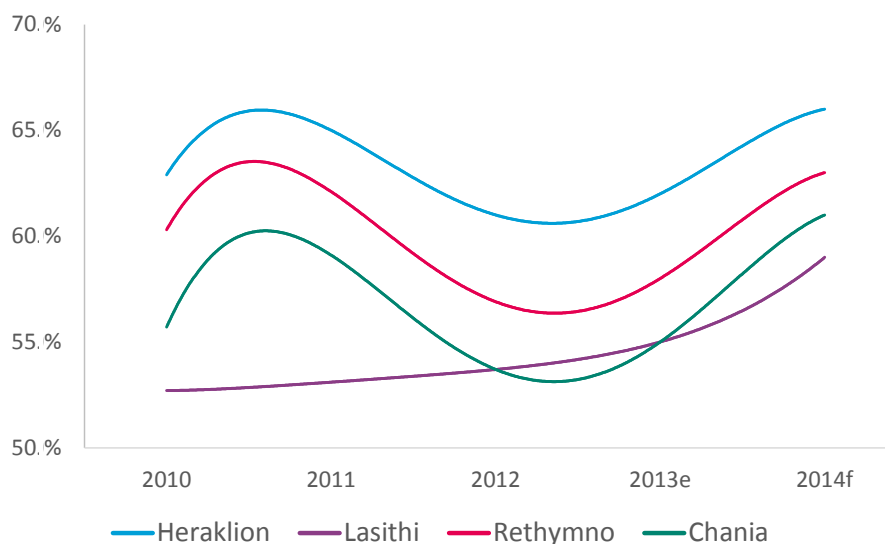
The performance of the Cretan hospitality market was impressive during the last years as it recorded a remarkable increase in tourist arrivals. There is a strong trend for luxury tourism while visitors are mainly from EU countries. An essential weakness is its perceived seasonality found in most regions of Greece. More specifically, 87.4% of international tourists arrived in Crete between May to September in 2014. The average occupancy rate was above 60%, with Heraklion having the top performance. A number of essential measures are required in order for the Cretan hospitality market to further achieve its promising prospects. The improvement of the island's infrastructure - airports, roads, ports, marinas – is necessary. Indicatively, the two international airports reach the limit of their capacity during the summer months. The replacement of the Heraklion airport and the upgrading of the international airport in Chania are of major importance. The development of different types of tourism products is also crucial for attracting additional visitors, increasing the average stay and prolonging the holiday season.

There is a strong trend for luxury tourism and the development of different types of tourism products is crucial

Visitor's Profile in Crete

Country	Germany, UK, France, Russia and the Scandinavian countries
Average per capita tourism expenditure	€ 1,162 almost double than the country's average of € 604
Average Stay	1 week
Main expenses	57% accommodation & transportation 17% food and beverage 12% shopping
Accommodation	65% to hotel units (of which 25% all inclusive tourism) 20% to "rooms to let"
Reasons to visit Crete	Natural landscape Climate Hospitality and Food Quality of Services
Returning Visitors	67% yes, I will 46% already visit Crete

Occupancy Rate per prefecture



Transactions

The potential of the Cretan hospitality market is already attracting international hotel operators, developers and investors. A number of important developments and agreements have been announced. Some indicative investments are:

1. **Minoan Group, Loyalward Company, Itanos Gaia:** investment of €270million for the development of 5 hotel units with a capacity of 1.936 beds, a professional golf course and a spa center in a 2,500ha land plot in Cavo Sidero, Lassithi
2. **Dolphin Capital Investors & J&P, Plaka Bay Resort:** development of 5 star hotel units, holiday homes and a golf course in a 440ha land plot in Cavo Plako, Sitia, Lassithi
3. **Dolphin Capital Investors, Sitia Bay Resort:** investment of €300million for the development of an integrated resort with conference center, marina, thalassotherapy center and a golf course under the management of Waldorf Astoria (Hilton Hotels and Resorts) in a 280ha land plot in Siteia, Lassithi
4. **Grecotel a) Caramel Boutique Resort:** Opening of a new hotel unit only 6 kilometers away from the city of Rethymno, in front of an 8 mile beach, comprised of 71 suites and villas in 2014 b) **White Palace Grecotel Luxury Resort:** Renovation and reopening of the former 5 star El Greco hotel, comprised of 256 suites and villas. The project was completed in 2014 and the cost estimated at €10million
5. **Aquila Hotels and Resorts** a) **Atlantis Hotel:** an investment of €7million for the renovation of the 5 star hotel, comprised of 158 rooms and 6 suites in Heraklion, Crete. Completed in 2013 b) **Porto Rethymno:** Plan for the renovation of the 5 star hotel with a capacity of 202 rooms in 2016
6. **Vita Hotels,** Investment of €44million for the acquisition, renovation and rebranding of a) the 3 star Carolina Mare hotel (former Phaedra Beach) at Malia, Heraklion and b) the 4 star Zorbas Village at Anissara, Heraklion. The transaction was completed in 2014
7. **Carlson Rezidor Group,** Minos Imperial Luxury Beach Hotel and Spa: A franchise agreement for the hotel located in Milatos, Lassithi. The estimated cost for the renovation of the hotel is €8.5million. In 2016, following the renovation, the hotel will be renamed to Radisson Blue Beach resort
8. **Ledra Hotels and Villas** a) **Domes of Elounda resort:** Investment of €10million for the development of 28 new villas in Elounda, Lassithi b) **Elounda Blu:** Investment of €3million for the development of additional 24 suites in Elounda, Lassithi – Both developments were completed in 2014
9. **Sentido Hotels and Resorts,** Renovation and management of three hotels in Crete from 2015 a) **Sentido Blue Sea Beach Hotel:** A 5 star hotel, offering 225 rooms, bungalows and suites in Stalida, Heraklion b) **Sentido Sun Beach:** Newly built hotel with 115 rooms in Malia, Heraklion and c) **Sentido Elounda Blu:** An integrated resort with 147 rooms of 6 different types in Elounda, Lassithi. (page 10: view locations on map)

Outlook

Crete is a worldwide recognised brand name as a tourist destination. Nevertheless, there is still a lot of room for improvement in order for Crete to become the leading tourism destination in the Mediterranean. It combines a) an ideal location – easy access, moderate climate, infinite coastline, geographical diversity, b) an excellent lifestyle – local

cuisine, cultural and historical sites, hospitality, safety, outdoor life, and c) well developed facilities – international airports and ports, roads and marinas, healthcare system, sports and food and beverage amenities. The Cretan hospitality market must focus on more luxury and exclusive accommodation, develop products for alternative tourism

and further improve the current infrastructure. The promising prospects of the Cretan hospitality market and the growing trend of tourism is expected to revive real estate activity and attract more international hotel operators, developers and investors to the region.



Key Locations



	Chania	Rethymno	Heraklion	Lasithi
Population	156,585	85,609	305,490	75,381
Weather Av. Temp:	21 C°	20 C°	21 C°	20 C°
Av. Wind:	↙ 5 kts	↙ 7 kts	↙ 10 kts	↙ 12 kts
Accessibility (from Athens)	8-9 hours 60 mins	8 hours	7-9 hours 50 mins	12 hours 85 mins
Nearest Airport	Chania (CHQ)	Chania (CHQ) 1 hour by car	Heraklion (HER)	Siteia (JSH)
Season	May - October	June - September	January - December	May - September
Healthcare	General Hospital	General Hospital	General University Hospital	General Hospital
Culture	Historical, Religious, Archaeological	Historical, Religious, Archaeological	Historical, Archaeological	Historical, Cultural
Social	International, Local	Local, Quiet	International, Local	International, Local
Lifestyle	Nightlife, Dining, Shopping	Wineries, Dining	Dining, Nightlife, Shopping	Nightlife, Dining
Sports	Sailing, Water Sports, Windsurfing, Cycling	Windsurfing, Kite Surfing, Rock Climbing, Water Sports	Golf, Water Sports, Mountain Climbing, Trekking, Hiking, Mountain Bikes	Golf, Water Sports, Windsurfing, Scuba diving, Hiking, Horseback Riding

Key Locations

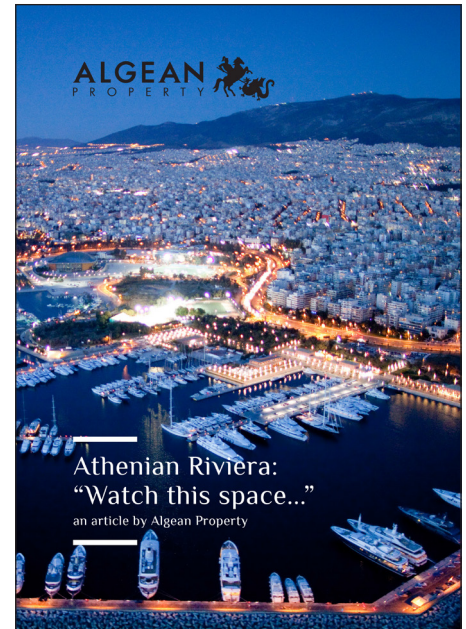
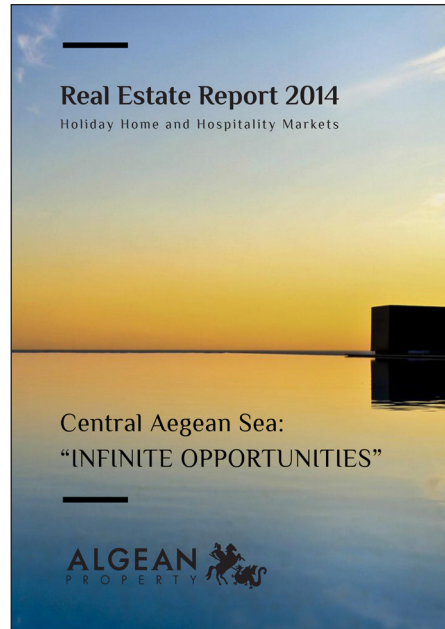
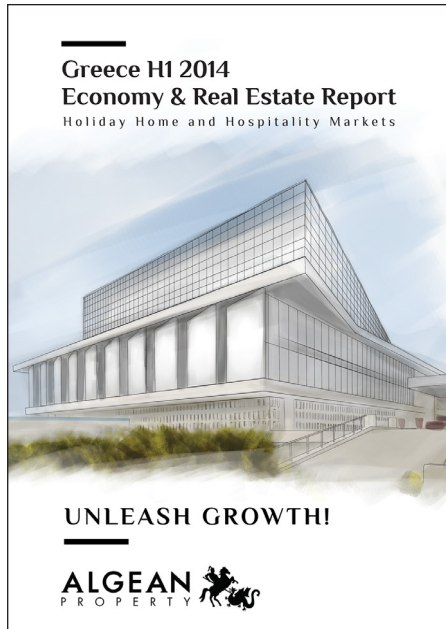
	Chania	Rethymno	Heraklion	Lasithi
Investment	A mature market with excellent opportunities for actual buyers. A wide range of prices due to diverse properties.	Still relatively virgin to foreign investors. An emerging market with beautiful properties at relatively low prices.	An established market with real bargains. The substantial existing stock has depressed the sale prices.	Property prices have proven to be more resilient due to high – end destination and sought after residences. Place to be.
Hotel Units	536	312	491	201
5* Hotel Units	19	12	31	24
4* Hotel Units	54	48	97	33
Sale Price ¹	€2,500-5,000/m ²	€1,500-3,500/m ²	€2,000-4,000/m ²	€3,000-7,000/m ²
Rental Price ¹	€2,500-6,000/week	€2,000-4,000/week	€2,000-5,000/week	€3,500-8,000/week
Expected Gross Yield ¹	5.4%	5.8%	5.6%	5.5%

1. The above analysis is based on more than 300 comparable properties, selected by the Algean Property research team. Each property features a minimum 3 bedrooms, a private pool, and high quality fittings in an area of 150 to 350m².

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Sources: Bank of Greece, Eurostat, Hellenic Statistical Authority (ELSTAT), Association of Greek Tourism Enterprises (SETE), Hellenic Chamber of Hotels, Ministry of Reconstruction of Production, Environment and Energy Rural Development, Wind Finder, Technical University of Crete, Cretan Museum of Natural History, Seez Travel and Algean Property Research.

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