

FLASH REAL ESTATE REPORT 2019



TOURISM TRENDS, HOLIDAY HOME
& HOSPITALITY MARKETS

OVERVIEW

2019 was a year of consolidation for the Greek Economy after many years of uncertainty and volatility. The positive GDP performance for 2018 (+ 1.9%), the economy's continuous growth for the first 3 quarters of 2019 (Q1: +1.4% Q2: +2.8 Q3: +2.3%) as well as the successful exit to the markets via the issuance of two 10-year and one 7-year bond within 2019 achieving very competitive interest rates (10y Bond(March '19): 3.9% - 7y Bond (July '19): 1.9% - 10y Bond (October '19): 1.5%) showed the country's remarkable continuous fiscal adjustment as well as its positive outlook for the coming years. Projections for the whole of 2019 show a further increase of +2.0% for the economy while, for 2020, a further growth of + 2.8% is expected, with the emphasis on boosting private consumption through targeted tax relief on private income and real estate. For yet another year tourism has been

the key economic driver of the Greek economy. The continuous upgrading of the tourism product through constant improvement of services and the enhancement of relevant infrastructure resulted in excellent tourism performance in both international arrivals as well as in tourism spending. For 2020 prospects are promising, as Greece has consolidated its position as the top holiday destination in the Mediterranean. The real estate market has had a great 2018 and 2019 so far recording solid growth in property asking prices and acquisitions, while property investment continued to grow for the seventh consecutive quarter demonstrating the industry's emergence from the crisis. The holiday home sector kept a steady pace in 2019, being the top performing destination in the Mediterranean for a fifth consecutive year and recording solid gross rental yields. the transaction

volume continued unabated its upward course keeping in line with the industry's overall strong performance. The hospitality sector performed exceptionally well in 2018 and in 2019 so far as a result of the continuous upward growth of tourism and the overall qualitative upgrade of Greece's tourist product. The improvement of all key performance indicators for yet another year has shown the Greek hotel industry's dynamics. As tourism figures remain solid, investment prospects for the Greek hospitality sector appear promising. The development of new hotel units, the acquisition and rebranding of old ones as well as the undertaking of management from established hotel chains within H1 2019 are a positive sign for the sector's robust growth for the years to come.



TOURISM

Over the last decade Greece invested in its core (roads, airports, ports, Marinas) and tourist infrastructure (hotels, resorts, holiday homes), steadily becoming a leading country in tourism in the southeastern Mediterranean and an established tourist destination worldwide. Despite conservative forecasts showing a mild slowdown due to the industry's recent meteoric growth, Greek tourism saw a significant increase in its key figures within the first three quarters of 2019 paving the way for a new record year. The steady upward trend of the Greek economy in the past year was largely due to the positive results of tourism in 2019, where according to estimates, it contributed to an increase in services exports by 14.5% on an annual basis and 10.8% y-o-y on the Jan-Sep '19 period.

According to the latest available data, 30.65 million international tourists visited Greece between January and November 2019 - excluding cruise arrivals - recording a 40% increase compared to the corresponding period in 2018. For the same period tourist receipts - excluding receipts from cruises - increased by 3.0% compared to 2018, reaching €17.4bil.

The continued increase in arrivals and the large increase in tourist revenue have shown the systematic effort to expand the tourist season in Greece. Additionally, the increasing influence of alternative forms of tourism has been highlighted, and is beginning

to bear fruit thereby diversifying and expanding the country's tourism product. For 2019 the cruise industry recorded a 14.3% increase in cruise arrivals (2019: 3,899 - 2018: 3,410) and a 15.6% increase in passenger arrivals (2019: 5.537.500 - 2018: 4.788.642) demonstrating its huge prospects, while forecasts for 2020 show further growth as through Homeport departures, which have the highest revenue. more than 350 homeport departures have already been scheduled.

According to estimates for 2019 international arrivals-excluding cruise arrivals- are expected to reach 31 million while tourist receipts will land at €17.5bil.

Forecasts for 2020 are very promising, with both basic tourism figures appearing to reach mild growth. It is imperative that Greece continues investing in the industry's qualitative upgrade in the coming years. Despite the meteoric upward course of tourism in recent years, the potential for further growth remains enormous. The significant investments made in the country's tourist product through core and tourism infrastructure will need to be followed up by the appropriate training of human resources, both at initial and at specialization level in order to maintain its strategic advantages over its immediate competition in the Mediterranean Sea.



Source: Bank of Greece

*International cruise passenger arrivals and receipts have not been counted



Source: ELSTAT

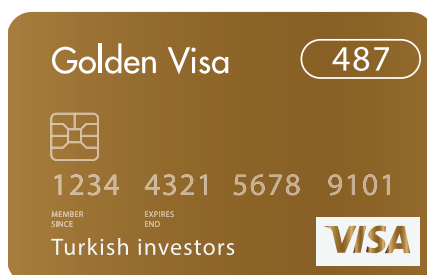
REAL ESTATE MARKET

Market Watch

In the wake of the market's overall stability in the last two years, 2019 confirms its positive course. Activity in commercial real estate (retail, offices, warehouses, hotels), was vivid throughout 2019 with Greek REICs setting the tone. The majority of the investment was predominantly in prime office spaces and retail while significant amounts were invested in the hotel industry acknowledging the hospitality sector's high prospects. Cumulatively for 2019 Greek REICs invested over €400mil. while an additional €200mil. are in the pipeline for the beginning of 2020. Commercial real estate indices confirmed the market's positive trend over the last three years. According to the latest available data, for H12019 and on a y-o-y basis, all commercial

indices ((office rent index, office price index, retail rents index, retail price index) grew significantly (+3.0%, +5.4%, +7.3% and 0.9% respectively). Demand for prime office spaces and retail was high especially in the two major cities (Athens, Thessaloniki). More specifically, for Q32019, gross rental yields for offices on a y-o-y stood between 6.5%-7.25% while for retail, the corresponding figure stood between 6.5%-7.0%. The marginal squeezing in gross rental yields was mainly due to the intense activity recorded in commercial real estate. Following the normalization of property prices observed in 2017, 2018 and 2019 were milestone years for the residential real estate market, as market values grew significantly, greatly

assisted by the Greek economy's overall positive course. More specifically, the housing price index (HPI) for 2018 grew by + 1.5% (2017: 59.0 - 2018: 59.9), while for Q32019, y-o-y change is 9.1% (Q32018:60.2 - Q32019:65.7). It is noteworthy that home investment continued to rise for the seventh consecutive quarter, registering a +9.8% annual increase for the first nine months of 2019. The "Golden Visa" scheme continues to have a positive impact on the market with a steady growth rate. Up until December 2019, the Greek state had granted a «golden visa» to 6,044 investors, with 4,129 of them Chinese, followed by the Turks (487) and the Russians (382), whose figures recorded A small increase.



Source: Enterprise Greece

Holiday Home Market

Demand for holiday homes in Greece for 2019 was high following a fruitful 2018. Areas of high tourist interest, either by the seaside or on mainland Greece recorded strong interest. Mykonos, Paros and Santorini were once again high in preference from foreign buyers as well - established and widely recognized destinations. Secondary yet highly admirable ones such as Corfu, Rhodes, Chalkidiki and Crete equally claimed their share. As tourism has left a positive imprint across the country, alternative destinations

in the Peloponnese (Messinia), the Dodecanese (Kos, Symi) and the Ionian island (Lefkada, Zakynthos) have begun to attract buyers as well. Increased demand has led to marginal increases in holiday homes' asking prices in areas of high tourist interest (Mykonos, Santorini, Corfu, Rhodes) as well as in large urban centers where a rapid growth in the short-term rental market was noticeable. Tourism's performance in recent years has been an important factor in the development of the holiday home sector boosting the

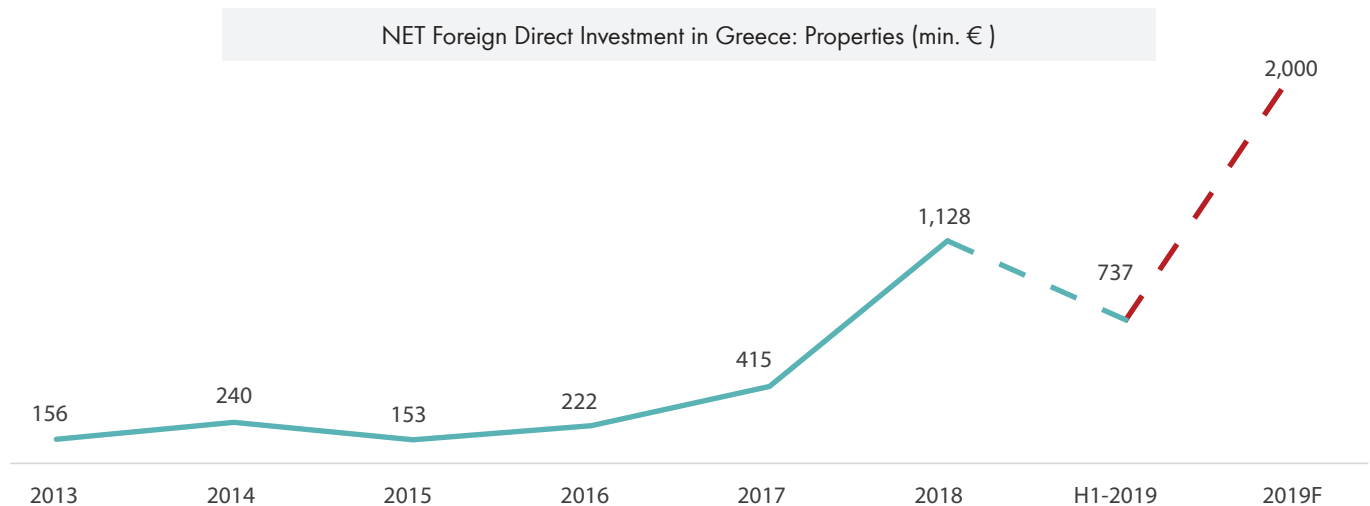
industry's already developing yields, while simultaneously sowing the seed for the emergence of new sub-markets (Athens - Centre, Athens - Southern Suburbs, Thessaloniki, Other Urban Centers) and sub-products (Short Term Apartment Rentals), giving life to the struggling Greek real estate market. In 2019 the total volume of well-known short-term leasing platform (AirBnB) reached €186mil., recording a 193% increase compared to 2017 (€62mil.)

Holiday home rental yields in popular Greek tourist destinations recorded solid figures in 2019, way higher than competitive destination in the Mediterranean. As demonstrated by Algean Property's most recent survey ["Yields Report 2019: High End Holiday Homes in the Mediterranean"](#), Mykonos, Paros and Santorini remained the top performing destinations for a third year in a row recording a gross average yield of 8.2%, 6.5% and 6.3% while other destinations such as Skiathos (6.0%), Porto Heli (5.1%), Rhodes, Halkidiki and Chania (4.8%) make up the top 10 demonstrating the

Greek product's dynamics as compared to popular tourist destinations in the Mediterranean such as Marbella (4.3%), Nice (4.2%) and Saint-Tropez (3.9%).

The increase in foreign direct investment in real estate purchases is another indication of the holiday home sector's upward trend in Greece. More specifically, for 2018, FDI for real estate purchase stood at €1.128bil., recording a 172.1% growth compared to 2017(€414.7mil) while preliminary figures for H12019 (€736.6mil.) show a +94.6% increase compared to the corresponding period in 2018

The holiday home market has returned to a path of growth and prosperity. High investment returns combined with realistic market prices have made the Greek holiday home an attractive investment for foreign and domestic buyers both private and institutional. With the assistance of the tourism sector, the holiday home market has become the most dynamic part of the domestic real estate market, while the gradual stabilization and growth of the Greek economy is a guarantee for the industry's further development.



Source: Bank of Greece

Hospitality Market

Despite the unexpected damages the Greek hotel sector suffered by the "Thomas Cook" bankruptcy (€315mil.), 2019 was a solid year for the industry as a result of the continuous upward growth of tourism and the overall qualitative upgrade of Greece's tourist product. Thus, the industry certified its steady upward course as well as its ever-growing investment prospects. The upward trend of tourist figures in

recent years as well as the need for Greek tourism to remain competitive in relation to its direct competition in the Southeastern Mediterranean (Turkey, Malta, Cyprus, Egypt, Dalmatian Coast), has made the country's hotel product upgrade imperative on a yearly basis. According to the official data released by the Greek Hotel Chamber, hotel capacity for 2019 amounted to 9,917 hotel units, with 430,402 rooms and

847,61 beds, recording a +0.4%, +1.0% and +1.4% growth respectively compared to 2018. Cumulatively for the period 2010-2019, the quota shares in terms of quality upgrade shifted, with the number of 5-star hotel beds increasing by +75% (2010: 102,429 – 2019: 178,847) while the corresponding figure of 1-star hotel beds decreased by -11% (2010: 55,835 – 2019: 49,729).

The hotel industry's performance was positive for 2019. The increase in tourist receipts recorded for 2018 had a positive impact on all of the industry's key performance indicators. More specifically, for the 9months of 2019 the total turnover in accommodation and F&B services increased by + 0.5% compared to the corresponding period in 2018. Additionally, tourist expenditure/trip increased by 12.3% (9month 2019: € 559.4 - 9month 2018: € 498.3) while tourist expenditure / overnight stay increased by 10.7% (9month 2019: € 76.9 - 9month 2018: € 69.5). For the same period the occupancy rate slowed down -3.5% (9month-2018: 57.4% - 9month-2019: 55.4%), and is expected to close at the same percentage as last year. Average Daily Rate and Revenue per Available Room grew by approximately 5%

In recent years competition in the Southeast Mediterranean region has increased greatly, with the creation of new deluxe resorts and the emergence of developing markets claiming a piece of the area's international tourism. Nevertheless, the quality of service provided has been and remains a

decisive factor in the growth of the hotel industry in each respective region. According to Global Review Index* FOR 2019, Greece recorded the highest overall score in the Mediterranean with 87.1%, with Croatia (85.5%) in 2nd place, while Cyprus (85.3%), Spain (85.0%), Italy (84.2%), Turkey (82.2%) and France (79.0%) occupied the 3rd, 4th, 5th, 6th and 7th place respectively.

Following the intense investment activity recorded in the hotel industry in 2018, 2019 was a landmark year as a large number of acquisitions, rebranding and new entries took place in the Greek hotel sector, confirming yet again its ever-increasing dynamics.




Characteristically, for 2019 were issued 77 new hotel construction permits, 40 hotel modernization permits, 82 permits for changing current building use, 47 environmental and archeology permits plus 100 tourist accommodation permits.

The most significant entry for 2019 was undoubtedly the relaunching of the former "Astir Palace" in Vouliagmeni under the "Four Seasons" umbrella in March. The biggest deal of the year was the acquisition of five

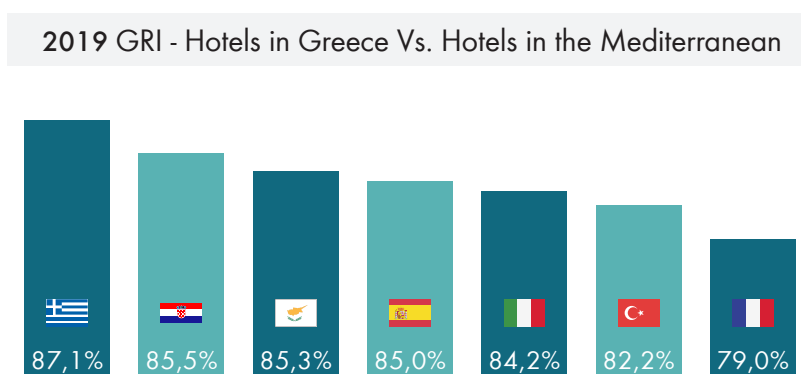
hotels of Louis Group in Greece by Blackstone Real Estate Partners Europe (Blackstone), in a transaction valued at €178.6mil. (Enterprise Value). Equally important was the acquisition of "Titania Hotel" in Athens by the British company "L + R Hotels" against €50mil. while "BriQ Properties REIC" proceeded in the acquisition of "Mr. & Mrs. White Tinos" and "Mr. & Mrs. White Corfu" within the year for a total of €5.96mil.

During crisis years the hotel industry was a main driver of the Greek economy's effort to stay afloat. At great economic cost the industry has been instrumental in the tourist product's systematic upgrading emerging as a key factor to the overall upward course of tourism in Greece. As the Greek economy stabilizes the country's investment outlook is positive. The growing presence of large international chains and investment schemes in the hotel industry is a guarantee for its further development while the government measures announced for the sector (reduction of VAT on hospitality, abolition of overnight stay fee, reduction of corporate tax) are expected to help the Greek hospitality sector reach its true potential.

*GRI: An index used to benchmark an individual hotel or group of hotels, compare results between properties or against competitors and track the evolution of a hotel's performance over time

Hotel Sector Evolution in Greece		
	2010	2019
 Units	9.732	9.917
 Bedrooms	397.660	430.402
 Beds	763.407	847.610

Source: Greek Hotel Chamber



Source: SETE Intelligence

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