
Fair Value Report of

A light industrial and warehouse property at 19
Thermaikou Str., Municipality of Oraiokastros,
Regional Unit of Thessaloniki, Region of Central
Macedonia.

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1. Description, statutory and legal aspects

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1.1. Location

Oraiokastros is a municipality in Thessaloniki regional unit and a suburb located in the north-western part. It covers a total area of approximately 21,855 km² and has c. 20,852 habitants (according to the last official census in 2011). The Municipality was formed after the 2011 local government reform by the merger of the following 3 former municipalities (Kallithea, Mygdonia and Oraiokastros) that reformed into municipal units.

Oraiokastros is situated at a distance of approximately 11 km from the city centre of Thessaloniki. It is considered as one of the fastest growing areas of the prefecture and the income level of its residents is well above the average level. The growth of the area primarily concerns the residential sector, due to the natural landscape coupled with the area's close distance from Thessaloniki's centre. The construction of the Peripheral Road and the recent construction of Egnatia Motorway (West Entrance of the city) have greatly improved access to the wider area, rendering it appealing for various businesses, mainly in the commercial sector. However, these businesses are located in a small part of the south end of the Municipality, and therefore, have not changed its residential character.

We enclose below a General Location Map showing the location of the property in its regional context.



1.2. Description

The subject property is located at the junction of Thermaikou str. (no. 19) with the service road of Egnatia Motorway and has façade of approximately 120 m. and 150 m. respectively on these two roads. We note that it has also façade of approximately 100 m. on an agricultural road at its western side. Access to the property is easily achieved via Thermaikou str. which connects the city centre with Oraiokastros and Egnatia Motorway which connects the south-eastern part with the north-western part of the city. The property can be reached either by car or by public transport, as the area is served by a bus line of "O.A.S.TH." (Organisation of Urban Transportation of Thessaloniki), with a bus stop situated at the eastern side of the property.

The subject property comprises two main buildings (Buildings A & B) and on auxiliary building that have been developed on a land plot situated out of the approved town plan, the areas of which are described in No.435/28-03-08 contract of purchase by the notary of Thessaloniki Valasia Boulakis and are shown in the following table:

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Land Plot

Area	39,608.52 m ²
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Buildings

Level	Building A (m ²)	Building B (m ²)	Auxiliary building (m ²)
Basement B'	6,126.12		
Basement A'	6,126.12		
Ground Floor	6,686.61	2,729.16	255.62
Floor A'	2,686.93	2,459.78	
Floor B'	2,590.38		
Total	24,216.16	5,188.94	255.62

The analytical description of the buildings is presented below:

Building A

Building A comprises two basements, ground floor and two upper floors. It was built according to no. 1419/1981 Building Permit issued by the Planning Authority of Thessaloniki which was later amended by no. 5497/2002 Building Permit, which concerned the construction of three additional ground floor buildings. Two of them were added at the western and south-eastern side of the ground floor of Building A measuring 299.30 sq.m and 261,19 sq.m respectively, while a third one measuring 53.26 m² was added at the eastern side of the existing auxiliary building. Building A has the use of light industrial and warehouse unit, but it also includes office space at the first floor.

Basement A', B' and the ground floor have similar layout and characteristics. The building frame is made of reinforced concrete. During the day of our inspection we did not have access to any of the basement areas as they were flooded. Moreover, we observed that due to the vacancy of the property for a number of years coupled with the fire that destroyed the property, its state of repair is considered very poor. The first floor has been as well destroyed and looks in many parts unstable as the structure is in a very bad condition. There are also two WCs (male/female), one kitchenette, one control room and portable cooling/heating units. The second floor comprises a unified warehouse area with similar characteristics to the other floors. Building A is equipped with central cooling/heating system as well as with four shafts for the lifts cargo elevators and four staircases that are as well in a very poor condition. Overall, Building A is in a very poor condition and we are of the opinion that its refurbishment and restructure will not be cost-efficient.

Building B

Building B comprises ground floor and first floor. The ground floor was built according to no. 2487/1990 Building Permission issued by the Planning Authority of Thessaloniki, while the first floor was built according to no. 21994/1992 Building Permission. Building B was used as warehouse unit.

The building has reinforced concrete structural framework and industrial flooring. Unfortunately, Building B is in the same poor condition as mentioned earlier for Building A and we are of the opinion that its refurbishment will not be cost efficient.

Auxiliary Building

The auxiliary building, which is located close to the south-western corner of Building A, includes the boiler system of the property ground floor basis. It was built according to no. 1419/1981 Building Permission issued by the Planning Authority of Thessaloniki. The frame of the building is made of reinforced concrete, while its ceiling is made of sheet metal.

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As far as the surrounding to the buildings area is concerned, it includes a guard house at the main entrance of the property, which is located at its south-eastern part. Around the land plot there is wall with metallic railing as well as wired fence. We should also note that there are two power towers of the Public Power Corporation at the north-western corner of the land plot.

Photographs of the premises taken on the date of our inspection are provided below.



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1.3. State of Repair

As per our instructions, we have not carried out a structural survey, nor have we tested any of the services. Therefore, we cannot provide you with detailed comments as to the condition of the structural and M&E elements of the property.

However, during the course of our last inspection we noted that the subject property is in a very poor state of repair and its restructure will not be cost effective.

1.4. Statutory Requirements

As per our instructions, we have not carried out a technical due diligence nor any enquiries to the relevant planning or other Authorities. Our valuation is solely based on the information provided by our instructor, which is assumed to be complete, accurate and correct, unless otherwise specified in the report.

1.4.1. Planning framework

The subject land plot covers a total area of 39,608.52 m² (According to no. A1/March 2008 and scaled 1:500 Site Topographic Diagram of the land surveying engineer Ieronimakis Zoi). We note that the 435/28-03-08 contract of purchase by the notary of Thessaloniki Valasia Boulakis mentions that according to the titles of deed of the land plot, it used to cover a total area of

40,832 m². However, this area was reduced due to partial expropriation of the land plot at its northern and eastern side for the purposes of Egnatia Motorway and Thermaikou str. construction.

According to the 435/28-03-08 contract of purchase by the notary of Thessaloniki Valasia Boulakis, we mention the following:

- According to no. 3132/7233/1975 Decision of the Ministers of Economy and Industry (Government Gazette Issue 1/12-01-1976), an easement (right) has been created (through compulsory expropriation) that allows the placement of power towers of the Public Power Corporation (“DEH”) in part of the subject land plot.
- According to no. 1113814/8506/0010 Decision of the Ministers of Economy and Environment, Physical Planning and Public Works (Government Gazette Issue 922/16-11-1998), an easement (right) has been created that allows the establishment of new water supply infrastructure. However, this decision was recalled according to no. 3282/31-05-2005 Decision issued by the Periphery of Central Macedonia.
- According to the Operation Permit of the subject property, it operates as tobacco factory/industry and its use concerns processing and warehousing of tobacco. In case of future change of use, the owner will be charged with the respective expenses.
- Segmentation of the subject land plot is forbidden.

We further note that, according to the above-mentioned Site Topographic Diagram, there is a right of way at the south-western corner of the land plot in order to allow access to an area of 498.50 m² that is hedged by stone wall.

The land plot lies outside the approved town plan and the approved zone, and therefore, the respective planning regulations are described in the Presidential Decree 24/31-05-85 (Government Gazette Issue 270D/1985), and more specifically, in article 4 of the previous Government Gazette Issue that concerns industrial use and are as follows:

- Minimum surface of land plot: 4,000 m²
- Minimum land plot frontage: 45 m
- Minimum land plot depth: 50 m
- Building Coefficient: 0.9
- Site Coverage Ratio: 30%
- Maximum building height: 11 m
- Minimum distance from the boundaries of the land plot: 10 m
- Volume Coefficient: 3.3
- The construction of more than one building is permitted

Based on these planning regulations, we note that there is remaining building coefficient and site coverage ratio as well, as shown in the following table:

Remaining development potential (RDP)			
	Built areas	Plot coverage	Volume
Coefficient	0.90	30%	3.3
Total permissible	35,647.67 m ²	11,882.56 m ²	130,708.12 m ³
Existing	17,408.48 m ²	9,671.39 m ²	0.00 m ³
Remaining	18,239.19 m ²	2,211.17 m ²	130,708.12 m ³

The existing built areas include all the areas of Building A (excluding basements A & B), Building B and Auxiliary Building. The existing covered areas include the areas of the ground floor of the three buildings. For the purposes of this valuation and taking into consideration the current planning regulations as well as the position of the existing buildings into the land plot, we assume

that only an area of 4,422.34 m² (2,211.17 m² x 2 floors) could be additionally built (full use of site coverage ratio and partial use of building coefficient). This area corresponds to 7,370.55 m² of land plot taking into consideration the Site Coverage Ratio (2,211.17 m² / 0.3).

According to Government Gazette Issue 169A/15-07-98, the following apply:

Article 2, Paragraph 1

The minimum distance of the buildings, which lie outside the approved town plan and the borders of settlements, from the axis or the side of the roads are defined as follows:

- 60 m. from the axis of the main/primary national road network and no less than 40 m. from the roadside.
- 45 m. from the axis of the secondary national road network and no less than 30 m. from the roadside.
- In the parts of the National Road Network that have been built and characterised as motorways or highways, as defined by the Law 2094/92, with the service roads that are adjacent or in a close distance from them, buildings are placed on the minimum distances as mentioned above and 20 m. from the axis of the service road.

Article 2, Paragraph 5

In cases where a building has been already constructed and does not comply with the above-mentioned minimum distances, only works for hygiene and use purposes are allowed. This concerns the part of the building that lies inside the minimum distances.

For the purposes of our valuation we assume that there are no pending issues regarding the compliance of the property with the relevant planning legislation and that the property has fully marketable title deeds.

1.5. Tenure

We understand that the property is fully owned by the company "Pasal Development S.A.", according to No. 435/28-03-08 contract of purchase, by the notary of Thessaloniki Valasia Boulakis.

We observed that the property is vacant.

We have not proceeded to any kind of legal due diligence or any other verification of the title deeds. This valuation is conducted under the assumption that the property has fully marketable title deeds and is free of any restrictive covenant, burden or any other defects, blockages or legal encumbrances that could adversely affect its market value.

1.6. Environmental Considerations

As instructed, we have not carried out a soil test or an environmental audit. Based on the general picture of the subject property and the neighbouring area we are of the opinion that it would appear unlikely that land contamination exists. We have also observed that there are not any hazardous or potentially hazardous uses near the property. These comments are subject to the extent of the on-site survey and are made without liability.

Since it appears that land contamination is unlikely, we have valued the property on the basis that it has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at the property, or on any neighbouring land, then we may wish to review our valuation advice.

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2. Market Commentary & Valuation Advice

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2.1. Market Trends and General Comments

In the wider area of the property, there are many commercial, industrial, light industrial and warehouse properties, which are concentrated along Thermaikou str., Thessaloniki-Oraiokastros road and Thessaloniki-Lagada road. During the last years various commercial clusters have been established along Egnatia Motorway due to the easy access and the high visibility that offers. Some of the businesses, which have been established in the area, are “Titan” (cement industry), “Adam’s Shoes” (footwear company), “Sprider Stores” (fashion company), “Minerva” (knitting company), lime industries, food and drink/beverages industries, sport industries, furniture industries etc. as well as important retailers (such as Kotsovolos and Jumbo), car dealers, furniture exhibition centres (such as Black Red White) etc.

During the first years of the economic crisis commercial, industrial and light industrial activity has been decreased. However, in the past year the demand levels for industrial properties have witnessed a slight increase, due to the improvement of the economy along with the development of the inner (West) ring road that connects the area with the port of Thessaloniki.

2.2. Approach to Valuation

In order to calculate the fair value of the subject property we have used the Comparative method of valuation. For the application of this methods we have used data from the local market.

2.2.1. Comparative method

For the application of the Comparative method we have used comparable evidence that refer to asking prices for industrial buildings near Oraiokastros area, as shown in the following table:

Industrial Sales

Description	Surface (m ²)	Price (€)	Price (€/m ²)	Age (Tax Val.)		Asking	Location	Size	State of Repair	Characteristics	Adjusted price (€/m ²)
Subject property			358	39							76
Oreokastros - at the junction of Thessalonikis and Simahiki Odos Streets, self-contained light-industrial warehouse, with a total area of 3,056 m ² , developed in 1981, on a land plot of 8,750 m ² .	3,056.0	1,500,000	491	38	0%	-20%	0%	-20%	-60%	-5%	119
Oreokastros - Thessalonikis Street, light-industrial warehouse, with a total area of 17,173 m ² , developed in 1970, arranged on six (6) levels.	17,173.0	4,500,000	262	49	0%	-20%	0%	-10%	-60%	0%	75
Oreokastros, industrial warehouse, with a total surface of 3,600 sq.m, on a landplot of 7,000 sq.m, built in 1970	3,600.0	1,200,000	333	49	0%	-20%	0%	-25%	-60%	-5%	76
Oreokastros - Thermaikou Street, self-contained light-industrial warehouse, with a total area of 2,800 m ² , developed in 2006, on a land plot of 9000 m ² .	2,800.0	1,000,000	357	13	-20%	-20%	0%	-25%	-60%	-10%	62
Oreokastros - Simahiki Odos Str., with a total area of 11,800 m ² , developed in 2004, on a land plot of 16,000 m ² , arranged on two (2) levels.	11,800.0	2,900,000	246	15	-20%	-20%	0%	-10%	-70%	-10%	38
Oreokastros, industrial warehouse, used for storage purposes, built in 1992 with a total surface of 3,254 sq.m, on a landplot of 9,640 sq.m	3,254.0	1,500,000	461	27	0%	-20%	0%	-25%	-70%	0%	83

Due to the current state of repair, of the subject property we couldn’t find comparable evidence that could match with the poor state of the property, thus we made some alterations during the comparative valuation process, in order the prices to be realistic

and reflect to the subject industrial warehouse. From the comparative evidence we understand that asking prices for industrial buildings in the area range between c.€ 250/ m² and € 490/ m² approximately. Prices are mainly determined by the state of repair and the size of a property, while the location is important only if it is possible to change the use from industrial to commercial. In the above comparative evidence matrix, we have applied the relevant adjustments in order to calibrate asking prices, location, age, size, accessibility and characteristics elements of each industrial unit. However, after the adjustments which take into account the extremely poor state of repair, we find that the calibrated prices range between c.€ 40/ m² and € 120/ m².

Based on the characteristics of the subject property (large size, location, state of repair) we apply a flat rate of € 75/ m² for the ground floor as well as the levels on the superstructure. For the basement areas we apply approximately 1/3 of this price. We should mention that due to the poor state of repair of the building and a fire event which caused certain damages, it is necessary to allow a cost for clearance of the site and removal of debris which we estimate as a lump sum amount in the order of €150,000.

Buildings A & B

COMPARATIVE METHOD

Floor	Use	Surface (m ²)	Price (€/m ²)	Value (€)
Basement B'	Building 1 -Light Industrial/Warehouse	6,126.12	25	153,153
Basement A'	Building 1 -Light Industrial/Warehouse	6,126.12	25	153,153
Ground Floor	Building 1 -Light Industrial/Warehouse	6,686.61	75	501,496
Floor A'	Building 1 -Light Industrial/Warehouse	2,686.93	75	201,520
Floor B'	Building 1 -Light Industrial/Warehouse	2,590.38	75	194,279
Ground Floor	Building 2 -Warehouse	2,729.16	75	204,687
Floor A'	Building 2 -Warehouse	2,459.78	75	184,484
	Removal of debris		150,000	-150,000
		29,405.10		1,442,771

2.2.2. Remaining Development potential

In order to estimate the value of the remaining development potential according to which an additional area of 4,422.34 m² could be built in two levels (as described in §1.6), we apply a price to the respective area of the land plot (i.e. 7,370.55 m²) by using the Comparative Method.

In order to calculate this value, we have conducted a survey in the local property market as well as contacted local agents in order to collect comparable data regarding industrial land plots. The following table contains the comparable data and their analysis:

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Land Sales

Description	Surface (m ²)	Price (€)	Price (€/m ²)	Asking	Location	Accessibility	Characteristics	Size	Adjusted price (€/m ²)
Subject property			35						33
Oreokastro - close to the junction of Simahiki Odos and Makedonikou Agona Streets, flat land plot outside the town planning zone, with a total surface of 4,700 m ² , buildable and developable, comprising a quite good accessibility to Egnatia Odos.	4,700.0	120,000	26	-15%	+5%	0%	0%	0%	23
Oreokastro, situated in a junction between egnatia Odos and Thermaikou, and in close proximity from the motorway of Oreokastro, within an industrial park zone.	6,000.0	180,000	30	-15%	+5%	0%	0%	0%	27
Oreokastro, land plot with a total surface of 12,000 sq.m, in a strategic location, outside the town planning zone.	12,000.0	380,000	32	-15%	+5%	0%	0%	0%	28
Oreokastro - close to Makedonikou Agona Street, land plot outside the town planning zone with a total surface of 5,300 m ² , buildable and developable, comprising a quite good accessibility to Egnatia Odos.	5,300.0	200,000	38	-15%	+5%	+5%	+5%	0%	37
Oreokastro - close to the junction of Simahiki Odos and Makedonikou Agona Streets, flat land plot outside the town planning zone, with a total surface of 24,000 m ² , buildable and developable, comprising a quite good accessibility with Egnatia Odos.	24,000.0	1,200,000	50	-15%	+10%	+5%	+5%	0%	52
Oreokastro, land plot with a total surface of 5,925 sq.m, outside the town planning zone	5,925.0	220,000	37	-15%	+5%	0%	0%	0%	33
Oreokastro, land plot outside the town planning zone, with a total surface of 9,890 sq.m, within the industrial park zone, in close proximity from Egnatia Odos	9,890.0	340,000	34	-15%	+10%	0%	+5%	0%	34

From the comparable evidence we understand that asking prices for land plots suitable for commercial uses in the area range between € 23/ m² and € 52/ m² for the majority of the properties and depend on their size, location and other characteristics. Plots along major roads can achieve even higher prices due to the higher promotion that can be achieved. By taking into consideration the characteristics of the subject land plot and especially its very good access we apply a price of € 40/ m². The calculation of the value of the subject element of land plot related with the remaining development potential is shown in the following table:

Type	Use	Surface (m ²)	Price (€/m ²)	Value (€)
Land Plot	Remaining Development Potential	7,370.55 m ²	€ 40	€ 294,822

The RDP value is based on the plot coverage.

RDP value	€ 294,822
RDP discount	50%
Final RDP value	€ 147,411

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2.3. Fair value

The fair value of the property is calculated in the following table:

Method		RDP value	Total	Weight	Weighted
Comparative	€ 1,442,771	€ 147,411	€ 1,590,182	100%	€ 1,590,182

2.4. Valuation

Having carefully considered the property, as described in this report, we are of the opinion that the Fair Value of the freehold interest as at the date of valuation and subject to and with the benefit of the current lease agreements is € 1,590,182, which is rounded to **€ 1,590,000 (One Million Five Hundred Ninety Thousand Euros)**.

2.4.1. Market Value under the special assumption of - 3-month marketing period

According to our instructions we have been asked to provide our client with the Market value of the property assuming a restricted marketing period of three (3) months. It is noted that the valuation is provided on the special assumption that the constraint had arisen at the valuation date.

The 3-month (3-month) marketing period, practically constitutes the time constraint on which our client has requested this asset's valuation. Hence, in other words, our client has requested this valuation on the basis of a specified marketing restriction which, in turn, coincides the time limit of the asset's disposal.

However, the aforementioned marketing constraint should not be confused with a forced sale as it is assumed to exist without compelling the owner to sell. The fact that a sale is 'forced' means that the vendor is subject to external legal or personal commercial factors, and therefore the time constraint is not merely a preference of the vendor. To this end, in terms of our special assumption, it is assumed that the time constraint is merely a preference of the vendor.

Although the economic climate has significantly improved in the course of the last months, the current market conditions with regards to the Greek Real Estate market suggest that the hospitality market indicates a remarkably upward trend, though the latter is struggling in less touristic locations, in terms of occupancy, ADRs or transaction activity. The continuously increasing management of corporate non-performing loan portfolios, with hotel assets as collaterals, might be an opportunity for change of ownership, reinvestment and repositioning. In this case and in the course of Market Value (MV) we note that the current "proper marketing period" is, in most cases, longer compared to the historic marketing periods which were noticed in the years before the Greek crisis. To this end, at the current market conditions a proper marketing period equals or exceeds one year for a transaction which is made between a willing buyer and a willing seller who both act knowledgeably and without compulsion. Therefore, the owner might accept a lower sale price so as the property become more attractive to the market and therefore be sold in 6 months. Based on the above, the applied special assumption is considered reasonable given the structural constraints of the hospitality sector.

We have approached the aforementioned restricted marketing period value by applying a discount to the Market Value. It has to be noted that this discount is not a single figure which is used for every property across the Greek property market but it depends strongly on the characteristics of the property (type, physical characteristics, location, etc.) and the dynamics of the local property market.

To this end we have applied a discount of 50% to the property's market value. The calculation is as follows:

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$$€ 1,740,182 \times 50\% = € 870,091$$

Thus, the Market Value under the special assumption of 3-month marketing period is € 870,091 which is rounded to **€ 870,000** (Eight Hundred Seventy Thousand Euros).