



Commercial Property Prices Indices for Greece

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Bank of Greece

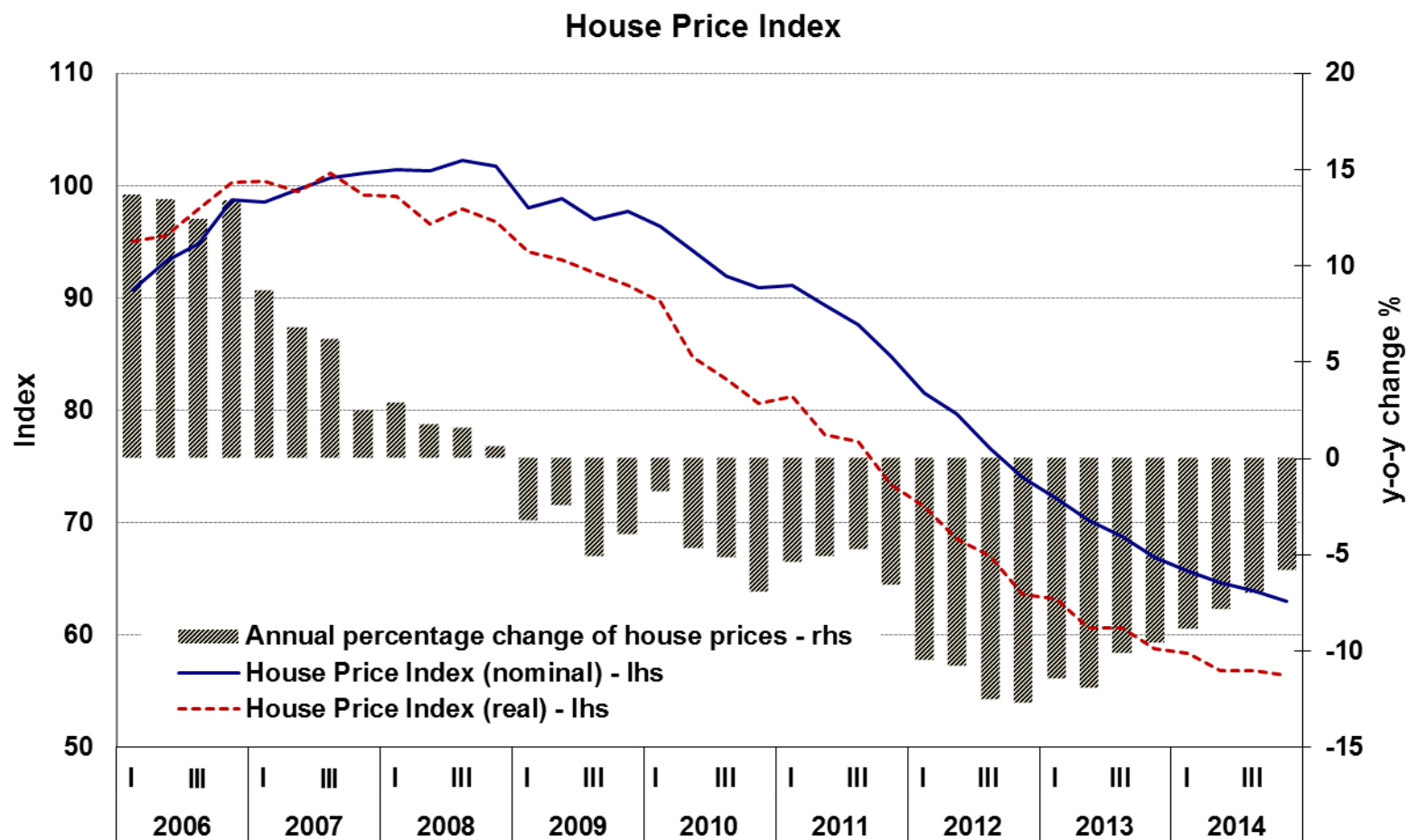
International Conference on
Commercial property market indices
and strategic actions for distressed property assets
13 March 2015

1.1 Bank of Greece - Synopsis of activities

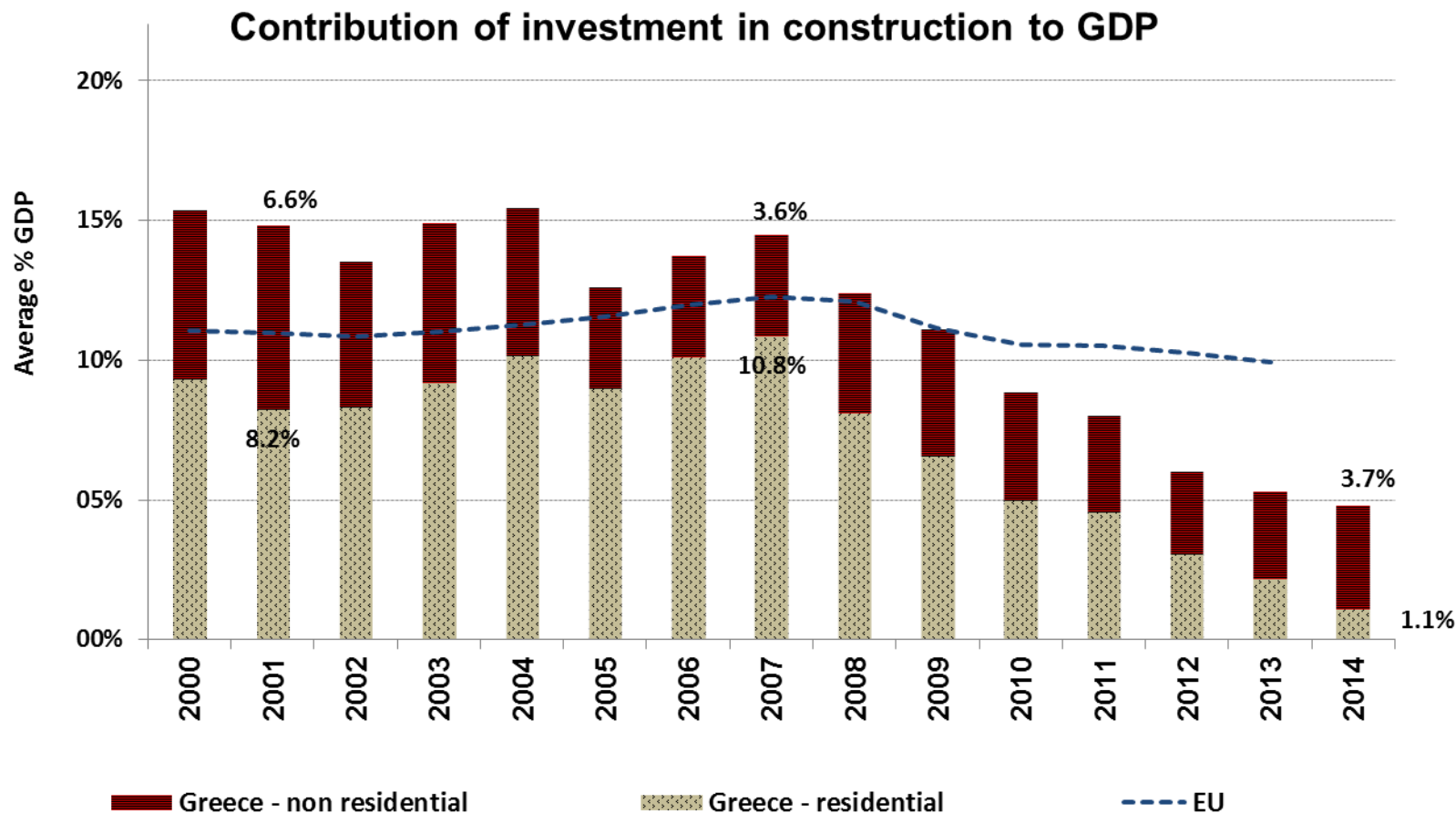
- ✓ Housing market data collection from credit institutions (on a monthly basis)
- ✓ Quarterly Residential Property Price Indices (Press Releases)
- ✓ Short-term Indicators for the Greek real estate market (revised every two weeks)
- ✓ Quarterly survey among the real estate agencies
- ✓ Transaction data from various sources
- ✓ Regular monitoring and reporting in the publications of the BoG
- ✓ Research



1.2 Residential Property Price Index



1.3 Investment in construction



Source: SDW - ECB



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2. Commercial property market in Greece

2009-2013

- ✓ Property market deeply affected by long lasting debt crisis
- ✓ Adverse commercial property market conditions reflect historically low levels of confidence in all aspects of economy
- ✓ Occupiers shifting towards cheaper premises
- ✓ Increasing vacancy rates, decreasing demand
- ✓ Construction activity extremely limited

2014

- ✓ Commercial property still under pressure
- ✓ Rents at very low levels
- ✓ Stabilization trends in values and yields
- ✓ Very limited transaction volume
- ✓ Significant number of new lease contracts in retail and food
- ✓ A few major deals in the warehouse sector
- ✓ Increasing investors' interest with a wait-and-see approach

2015

- ✓ Political environment put on hold further developments and prospects
- ✓ ?



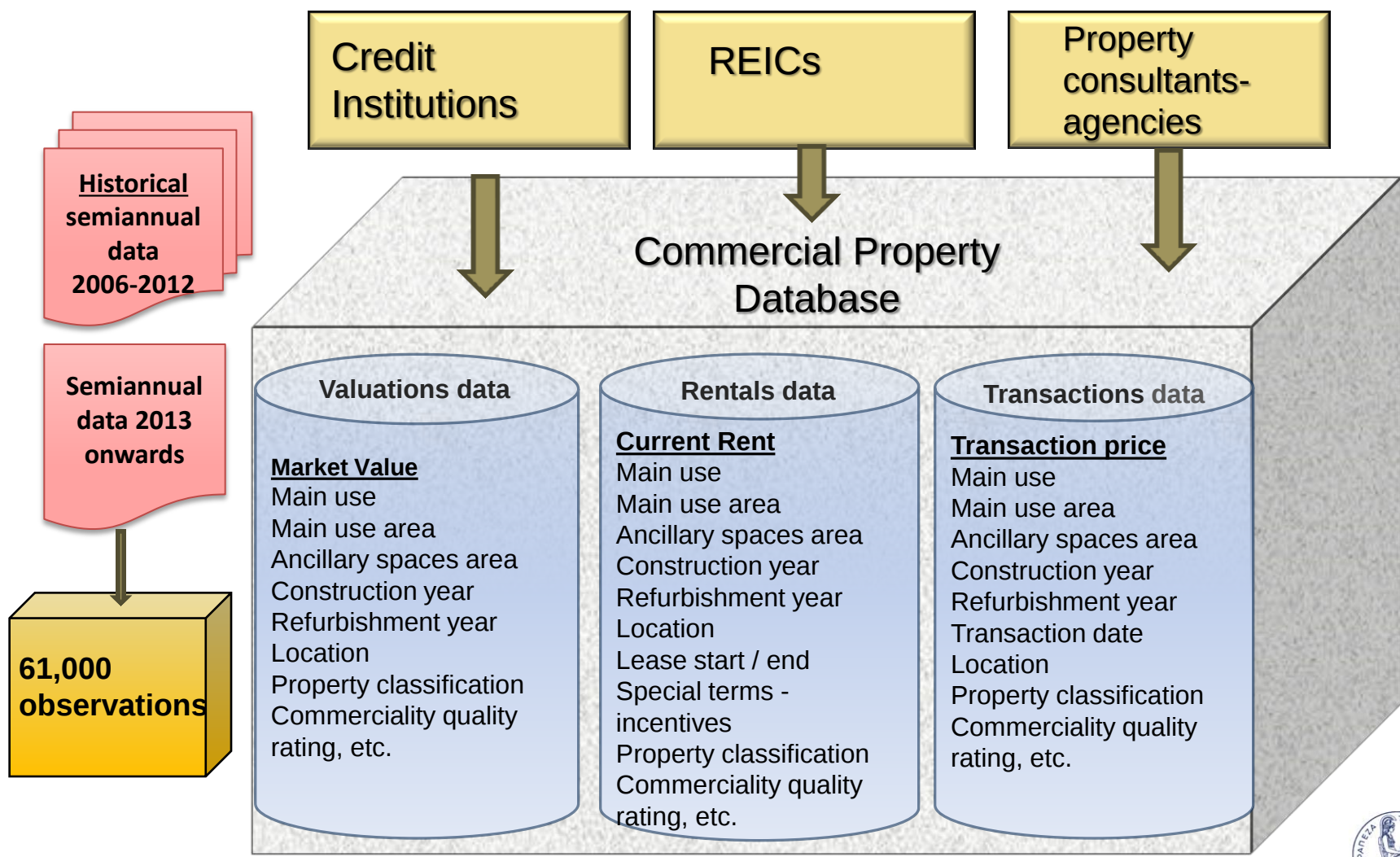
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3. Bank of Greece initiative towards a CPPI

- ✓ Governor's Act 9/10.01.2013 launching the collection of commercial property data from REICs
- ✓ Governor's Act 23/26.07.2013 launching the collection of commercial property data through credit institutions
- ✓ Collection of historical commercial property data from the recently repealed Greek Body of Chartered Surveyors
- ✓ Collaboration with private sector companies for the collection of transaction data and professional views on yields, trends, prices etc.
- ✓ Enhancement of real estate agencies quarterly survey to include transactions data
- ✓ Exploitation of collateral valuations performed under Asset Quality Report exercise
- ✓ Discussions with RICS for the potential collaboration in a quarterly survey on property market sentiment



4. Data collection



5. Challenges

- ✓ **Properties owned or occupied by credit institutions**
 - Sample bias
 - Rental values
 - Relocation inflexibility
 - Leases “inertia”
 - Difficulty in reviewing rents in case of no agreement by both parties, legal framework
 - Current circumstances
 - Greek financial system restructuring (mergers, acquisitions, winding down etc.)
 - Shrinkage of the branches network - Difficulty in monitoring properties that are abandoned
 - Difficulty in regaining accurate historical data
- ✓ **REICs portfolios**
 - Limited sample, low geographical distribution
 - Mainly comprising of properties leased by credit institutions
 - Main source of valuation and yield data



6.1 Methodology outline

DATA

- ✓ **Sample:** Upper class commercial properties in prime and secondary locations
- ✓ **Retail rents : 37,411 observations** (16,357 within greater Athens area)
- ✓ **Office rents: 5,891 observations** (3,846 within greater Athens area)
- ✓ **Retail values: 11,206 observations** (1,440 within greater Athens area)
- ✓ **Office values: 6,416 observations** (4,597 within greater Athens area)
- ✓ Small and heterogeneous sample of warehouses, industrial or other commercial properties



Data cleaning, filtering and analysis

PROCESSING

- ✓ **Calculation of mean value per sq.m. of main use and mean rent per sq.m./month for each property in the dataset**
- ✓ **Correction of rents for incentives and special terms**
- ✓ **Identification of fixed baskets per geographical area (and submarket within Athens)**
- ✓ **Application of statistical methods to improve quality and quantity of data within fixed baskets (interpolations, extrapolations, imputations)**
- ✓ **Filtering for outliers using both statistical and empirical processes**



6.2 Methodology outline



Methodology depending on data quantity and quality

METHODOLOGY

- ✓ Construction of 3 “fixed lease baskets” and 3 “fixed valuations baskets”, one for each geographical sector (Athens, Thessaloniki, Rest of Greece)
- ✓ Fixed baskets “enhancement” through alternative sources - in special cases (e.g. limited sample)
- ✓ Analysis based on mean values (market and rental) per square meter
- ✓ Evaluation of alternative weighting schemes
- ✓ Alternative results evaluation
- ✓ Feedback
- ✓ Finalization of methodology
- ✓ Verification of process and output

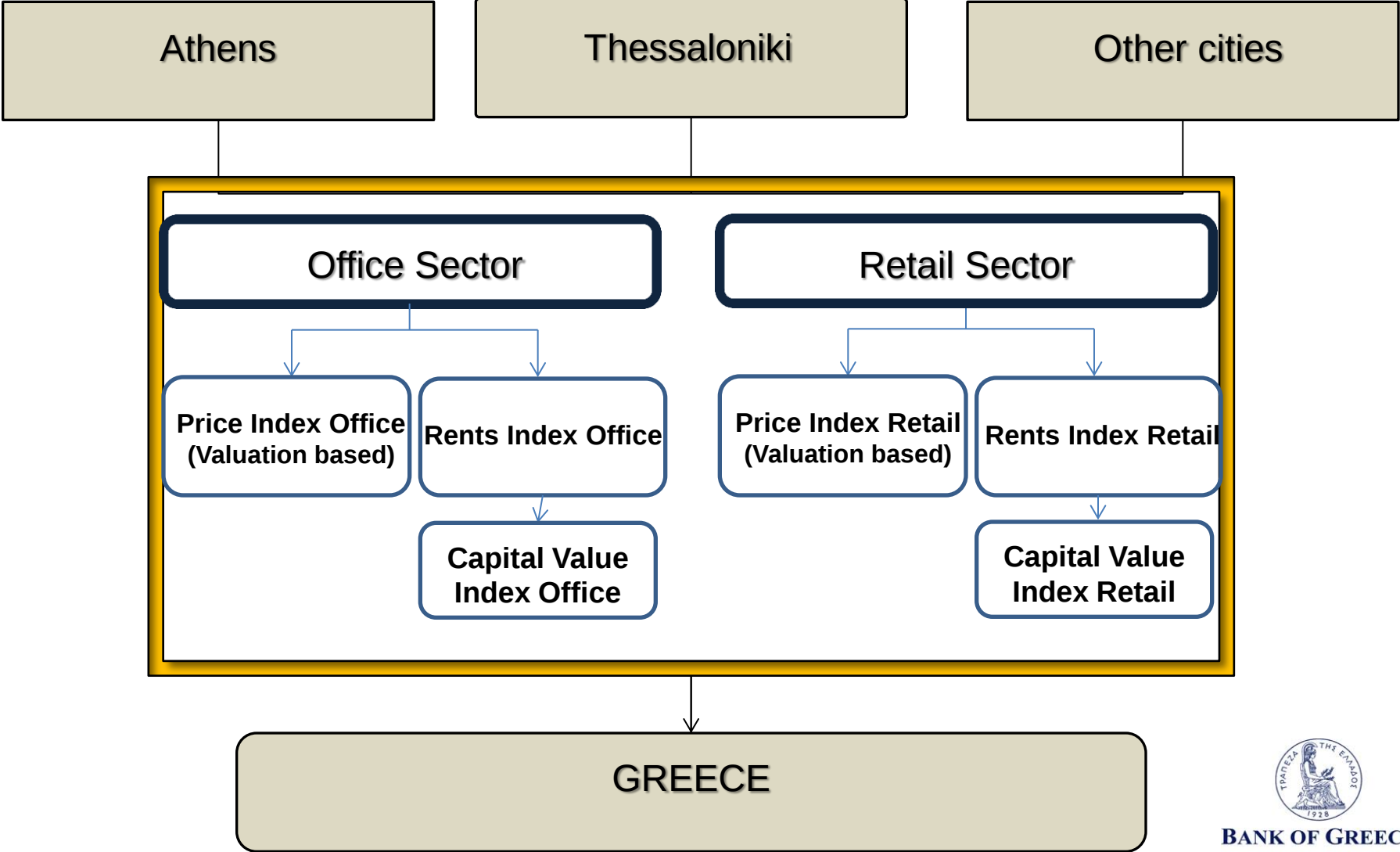


OUTPUT

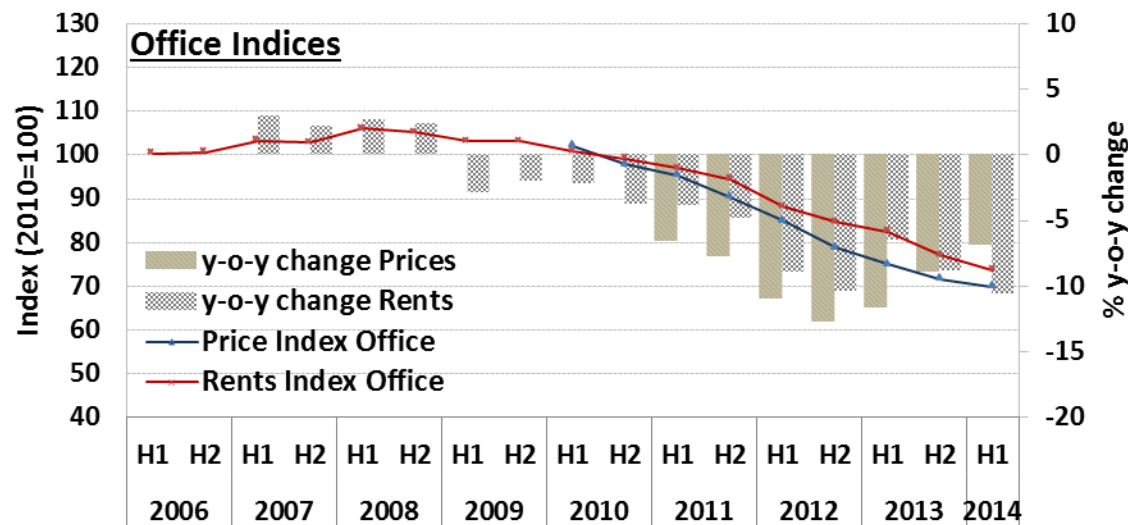
- ✓ Indices:
 - ✓ Price Indices (valuation based)
 - ✓ Rent Indices
 - ✓ Capital Value Indices (as mean yearly Rent /mean y-o-y yield)



6.3 Methodology outline



7. Commercial Property Indices by sector *

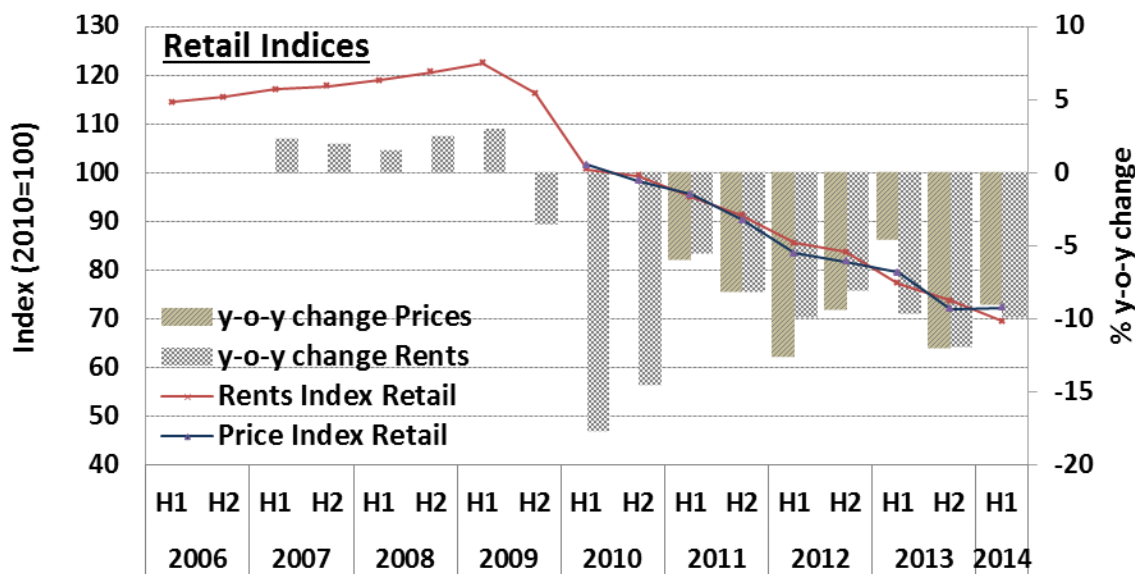


Office sector

(2010H1-2014H1)

cum. change Prices: -31.6%

cum. change Rents : -26.9%



Retail sector

(2010H1-2014H1)

cum. change Prices: -28.8%

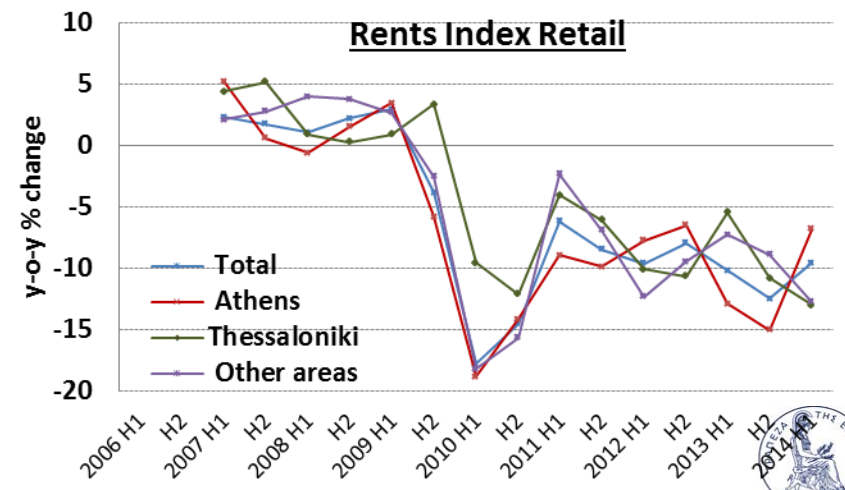
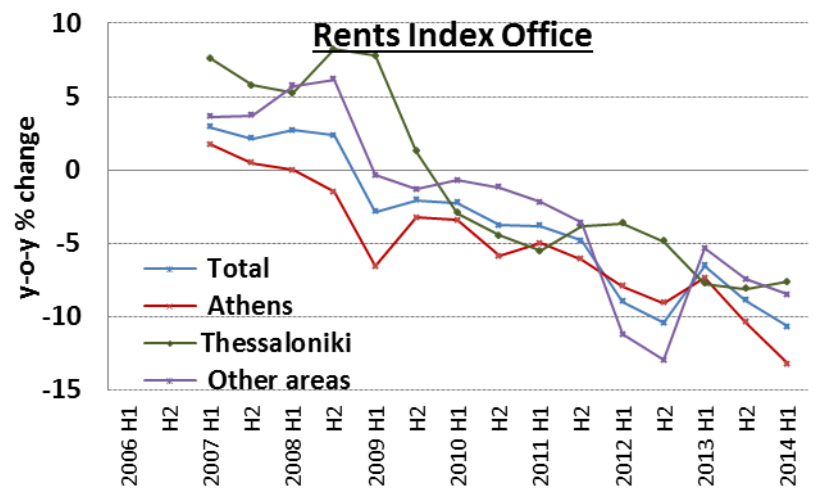
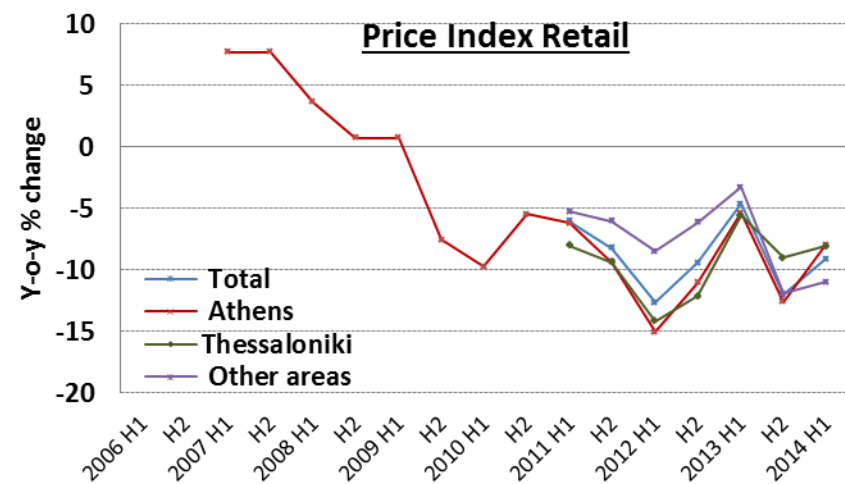
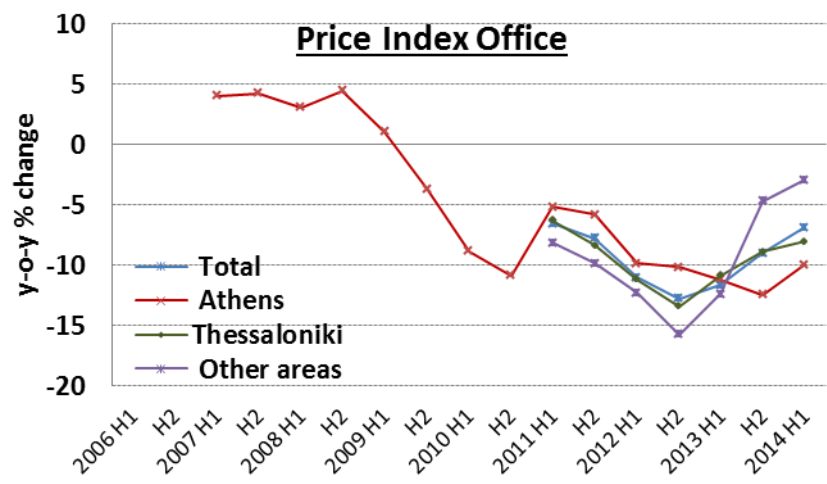
cum. change Rents : -31.0%

* Provisional data



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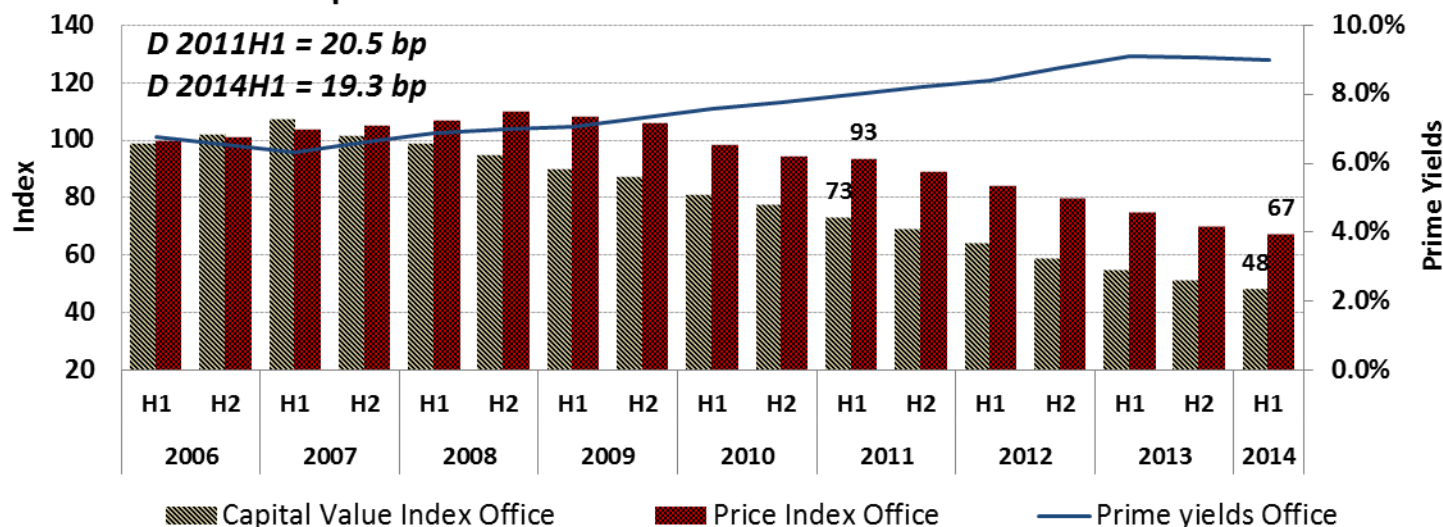
8. Commercial Property Indices by region *



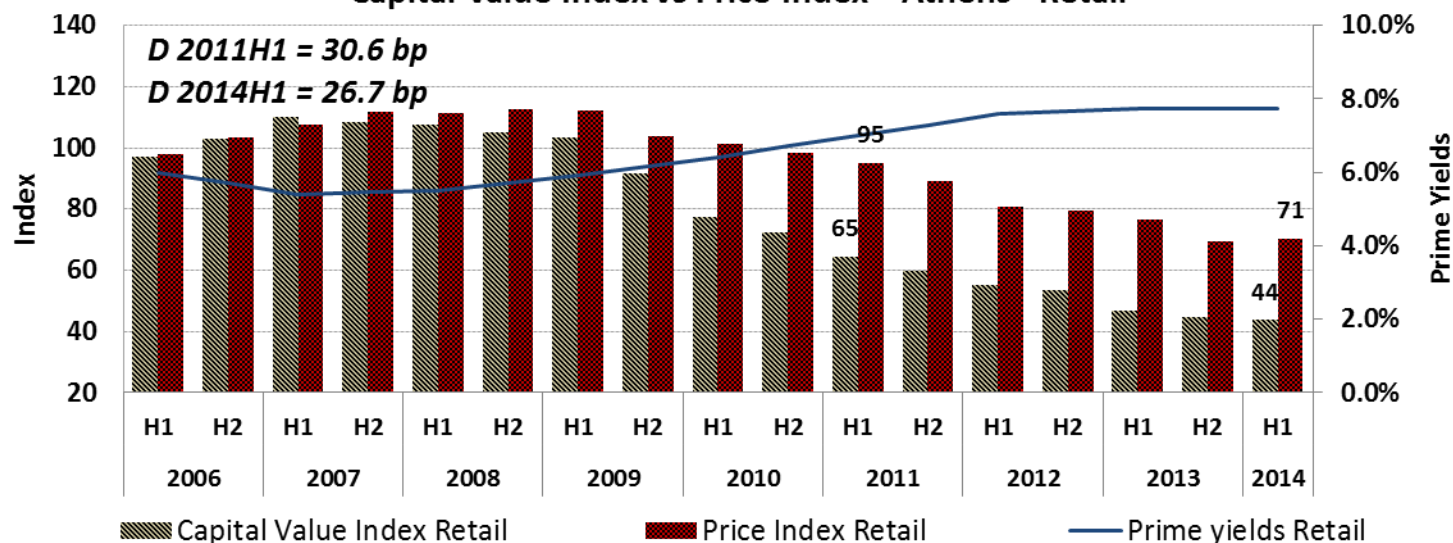
* Provisional data

9. Commercial Property Price and Capital Value Indices *

Capital Value Index vs Price Index - Athens - Office



Capital Value Index vs Price Index – Athens - Retail



* Provisional data



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10. Pending Issues

✓ Next steps

- Finalization of provisional indices and process

✓ Further actions

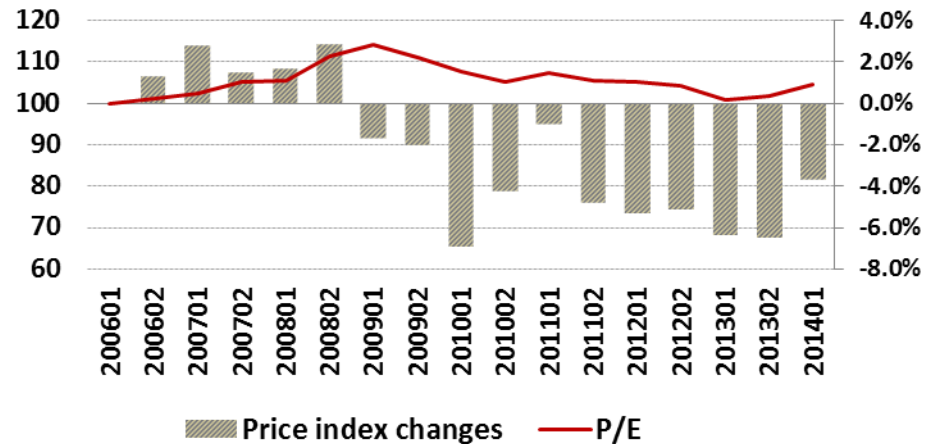
- Expand sources (e.g. new lease contracts database - Ministry of Finance) and enhance database
- Produce submarket indices for Athens
- Improve timeliness (currently app. t+4m)
- Develop a hybrid method for exploiting transaction data along with valuation data
- Apply and test hedonic modelling
- Expand research and published information



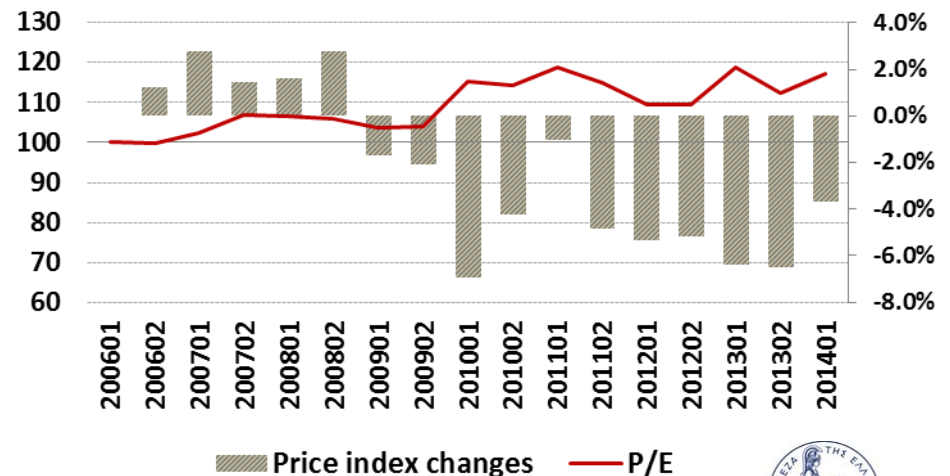
11. Market prospects

- Stabilization trends until 2014H1
- Immediate need for reforms
 - stable taxation regime
 - bureaucracy
 - regional planning and land uses framework
 - complicated and time consuming procedures
- Privatizations
- Public property development
-
- Professionalism and transparency
-
- Political and financial stability!

P/E - Office Athens



P/E - Retail Athens



Thank you!

For any further information please do not hesitate to contact us:

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