

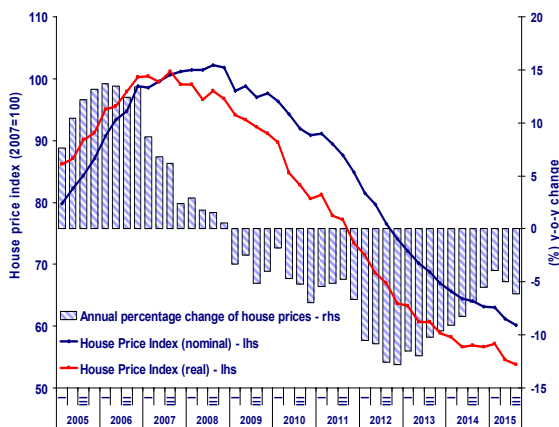


This is the English translation of the Monetary Policy - Interim Report (Chapter IV, Section 1.3), originally published in Greek (December 2015).

1.3 DEVELOPMENTS AND PROSPECTS IN THE REAL ESTATE MARKET

2015 witnessed persisting, although less severe, pressures on market values, prices and rents of both **residential** and **commercial properties** (see Charts IV.13, IV.14 and IV.15). Factors hampering market recovery include economic uncertainty, the imposition of capital controls and the shortage of liquidity, the high unemployment rate and the continuous changes in the tax framework (upcoming adjustment of “objective values”, etc.). Furthermore, the first signs of stabilisation in the real estate market recorded from late 2014 almost up to the first quarter of 2015 as a result of improved economic climate and expectations were short lived.

Chart IV.13 Residential Price Index



Source: Bank of Greece

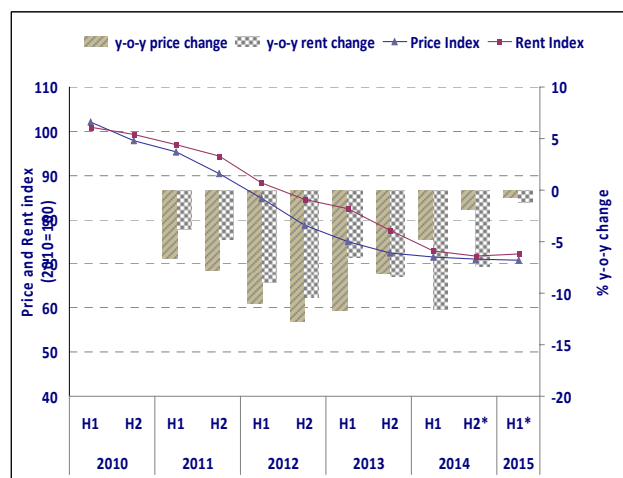
In the housing market, prices continued to fall in 2015, albeit at a weaker pace. More specifically, data collected from credit institutions show an average annual rate of decline of 5.0% in apartment prices in the first nine months of 2015, against a decline of 7.5% in 2014. On a cumulative basis, between 2008 (average level) and the third quarter of 2015, apartment prices fell on average by 40.9%.

The downward trends in house prices are expected to **continue** in the upcoming period. The housing market is

expected to recover with a relative time lag, largely depending on the increase in households’ disposable income, a rise in employment, as well as an improvement in bank financing conditions.

In the **commercial real estate market**, the investor interest that appeared in the first half of 2014 did not continue, as a result of economic uncertainty. At the same time, pressures to renegotiate and reduce rents persisted, especially for secondary retail, warehouses and non-prime office buildings. It should be noted, however, that prime office and retail rents have not changed significantly and indeed in some cases upward trends have been recorded in asking prices, as the stock of vacant and available prime properties has been shrinking. In more detail, in the first half of 2015 office nominal prices in the whole country remained almost unchanged, while office rents rose by 0.5% compared with the second half of 2014. Respectively, retail nominal prices fell by 4.4% in the whole country, while retail rents declined by 1.8% compared with the second half of 2014. The momentum recorded in 2014 in the market of prime warehouses and the increased investor interest for tourist property - hotel units over the same period have temporarily come to a halt, but are expected to rebound once the business climate is restored.

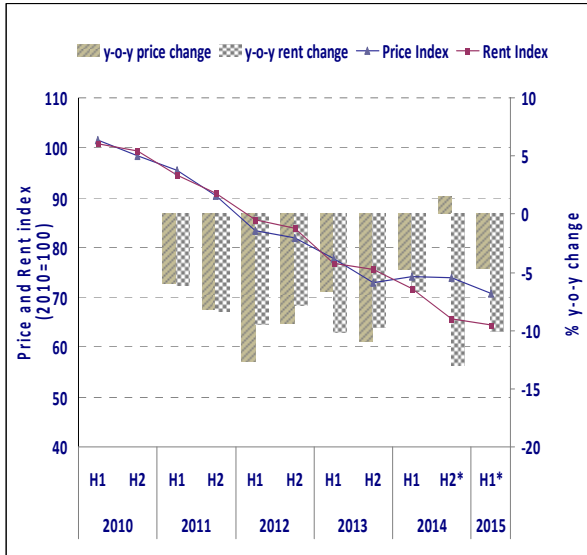
Chart IV.14 Office index



Source: Bank of Greece



Chart IV.15 Retail index



Source: Bank of Greece