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ΠΕΡΙΟΥΣΙΑΣ

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ΜΕΓΑΛΗ ΒΡΕΤΑΝΝΙΑ,
ΑΘΗΝΑ

ΔΕΥΤΕΡΑ & ΤΡΙΤΗ,
6-7 ΟΚΤΩΒΡΙΟΥ
2014

Current developments and prospects of the Greek property market

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Real Estate Market Analysis Section
Bank of Greece

6-7 October 2014



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Outline

- **Characteristics and recent developments of the Greek real estate market**
 - **Property Prices and rents**
 - **Transactions**
 - **Developments in construction activities, employment and investment**
 - **Financing of the real estate market and financial stress**
- **Taxation on property**
- **Recent reforms, risks and pending issues**
- **Prospects for stabilization and recovery**





Characteristics and recent developments in the real estate market in Greece

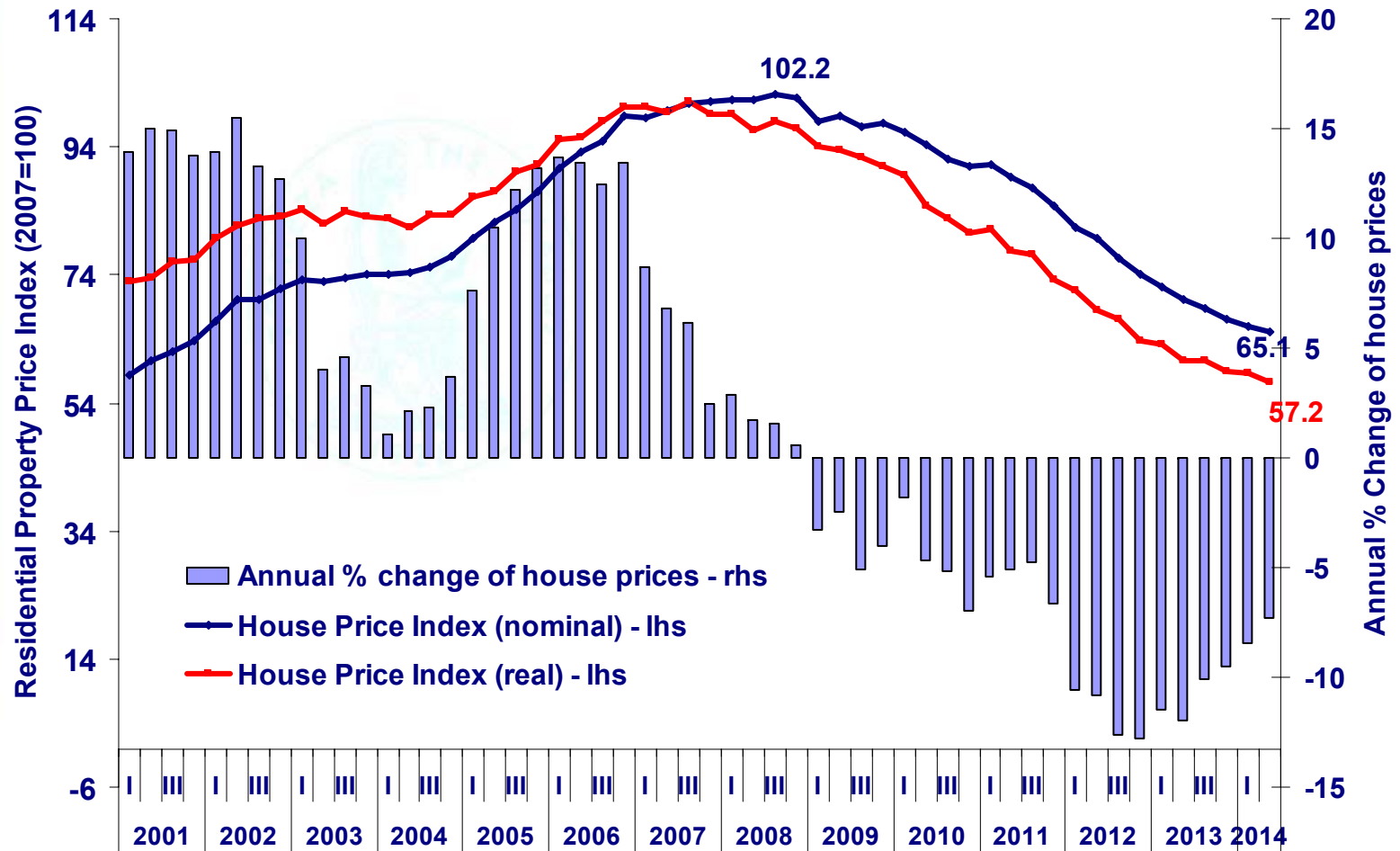


Specific features of the Greek housing market

- ❑ High rate of home ownership (80%)
- ❑ Low mobility and trading volume over the stock
- ❑ Fragmented construction industry (particularly in the residential market)
- ❑ Difficulties in monitoring the real transaction prices
- ❑ Non-homogeneous product (residential and commercial property)
- ❑ Significant impact of fiscal measures



Residential Property Prices and Growth Rate



✓ Cumulated adjustment of -41.6% in real terms and -36.4% in nominal terms since the current financial crisis (2008 Q3 - 2014 Q2)



Indices of apartments prices by age and geographical area

(Annual average percentage changes)

Indices of apartments prices by age and geographical area	Annual average percentage changes								
	2008	2009	2010	2011	2012	2013	2014-Q1	2014-Q2	2008 Q3 up to 2014 Q2
All apartments (Greece)	1.7	-3.7	-4.7	-5.5	-11.7	-10.8	-8.5	-7.3	-36.4
a1. New (up to 5 years old)	2.3	-2.0	-4.2	-5.0	-12.1	-10.7	-7.8	-6.1	-34.6
a2. Old (5 years old and above)	1.3	-4.8	-5.0	-5.8	-11.4	-10.8	-8.9	-8.0	-37.5
b1. Athens	0.9	-4.6	-3.2	-6.4	-11.8	-12.4	-10.7	-9.6	-38.8
b2. Thessaloniki	1.5	-6.0	-7.4	-6.8	-13.6	-8.9	-7.6	-5.4	-38.5
b3. Other cities	1.8	-2.7	-5.3	-4.1	-10.7	-10.5	-7.8	-6.5	-34.0
b4. Other areas	3.3	-1.9	-5.8	-4.4	-11.6	-8.5	-5.1	-4.4	-33.0
c1. Urban areas	1.5	-4.3	-4.4	-5.5	-11.8	-10.9	-9.4	-7.8	-36.9

- ✓ Gradual decline in price resilience during the current crisis
- ✓ Stronger decline in the two major urban centers (Athens and Thessaloniki) and older
- ✓ An even greater price reductions based on real estate agents

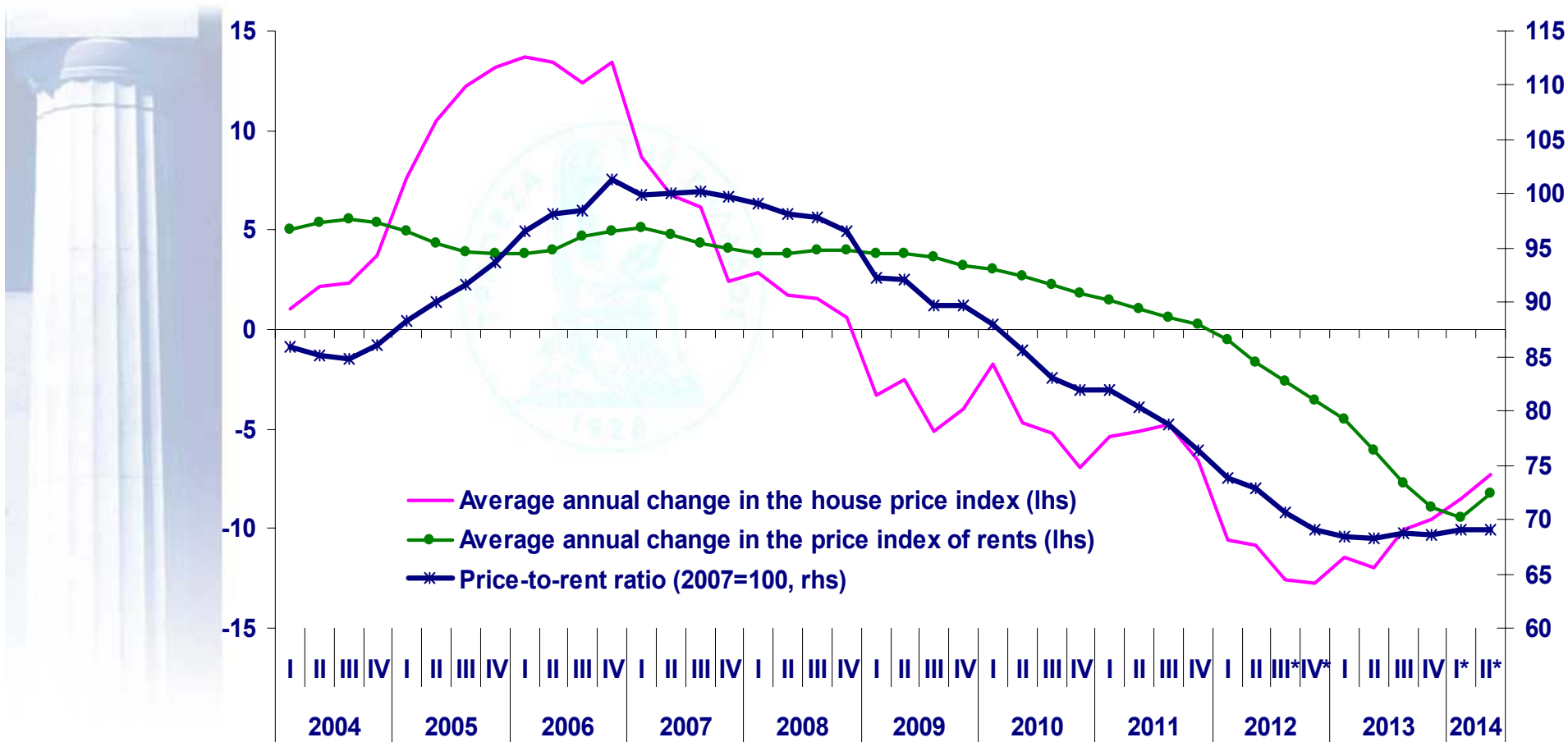


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Source: BoG, data collected from credit institutions

¹Data collected from real estate agencies

House price-to-rent ratio

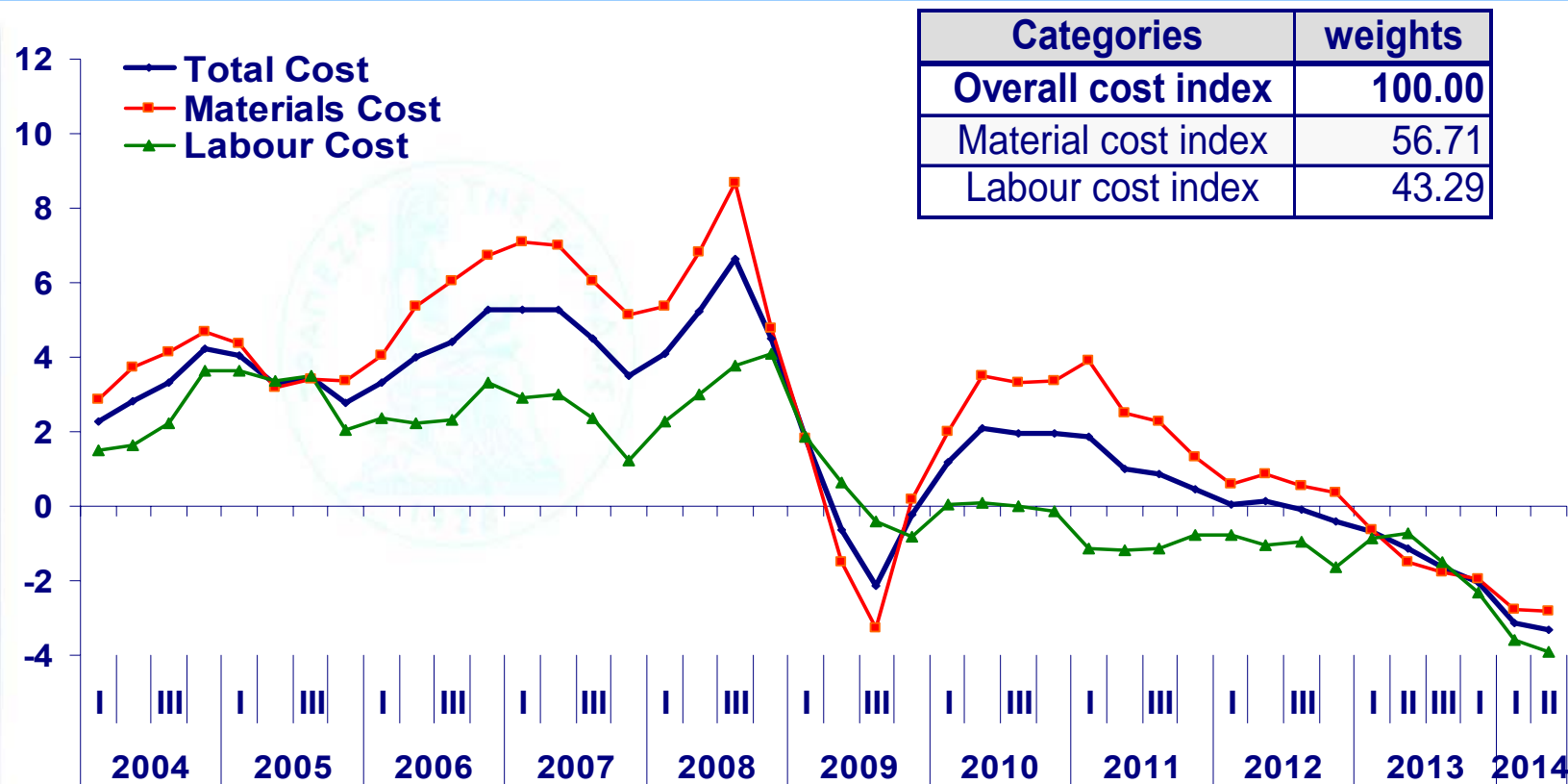


- ✓ In some extent a correction of overvaluation has already taken place
- ✓ House price-to-rent ratio: -31.9% lower from its peak (2006-Q4)



Construction cost indices of (new) residential buildings

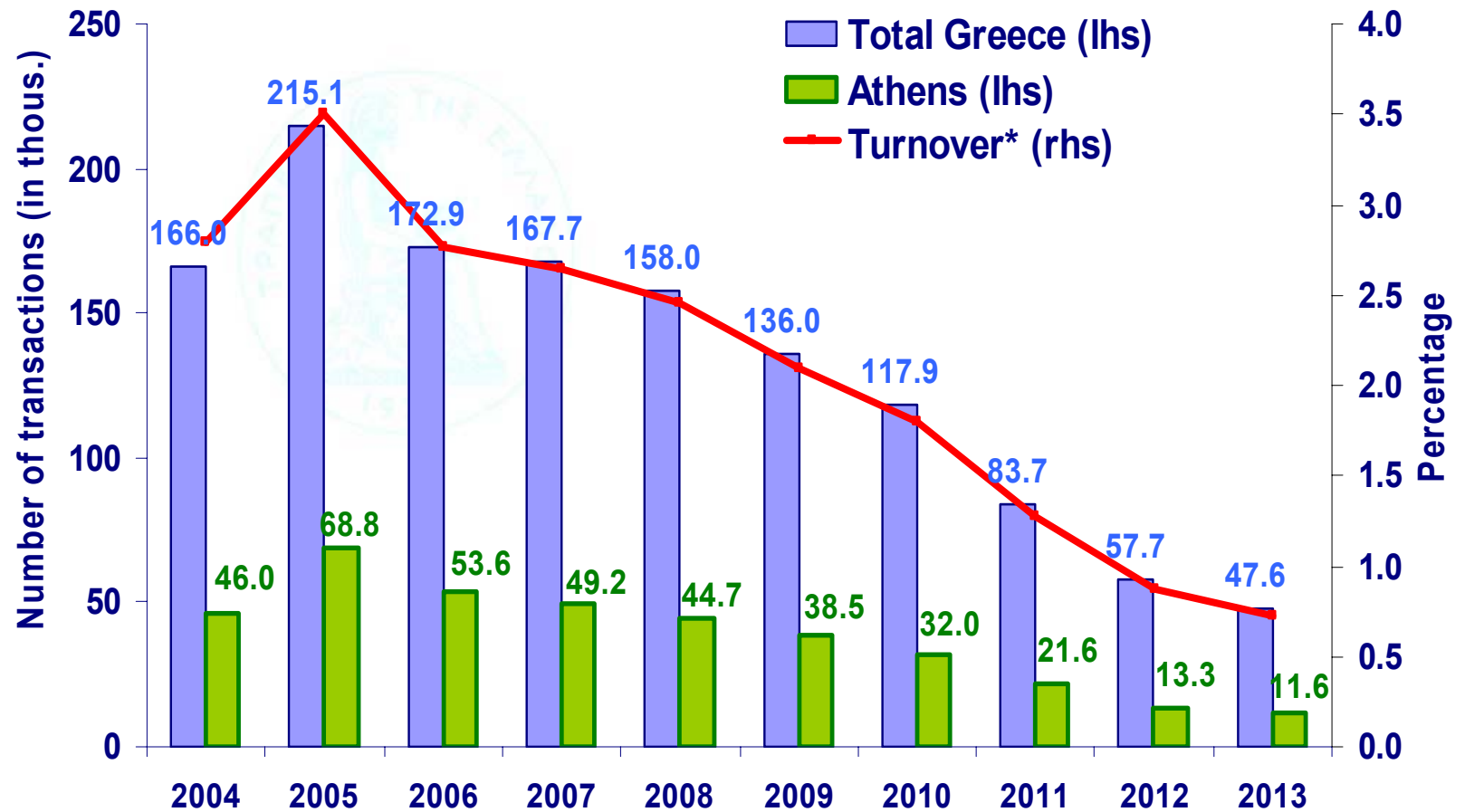
(Annual average percentage changes)



- ✓ Despite the recession, construction costs and particularly construction materials remained positive up to 2012
- ✓ The high cost of replacement of old residential buildings with new impedes a further decline in prices.



Number of transactions in the real estate market (in thous.)

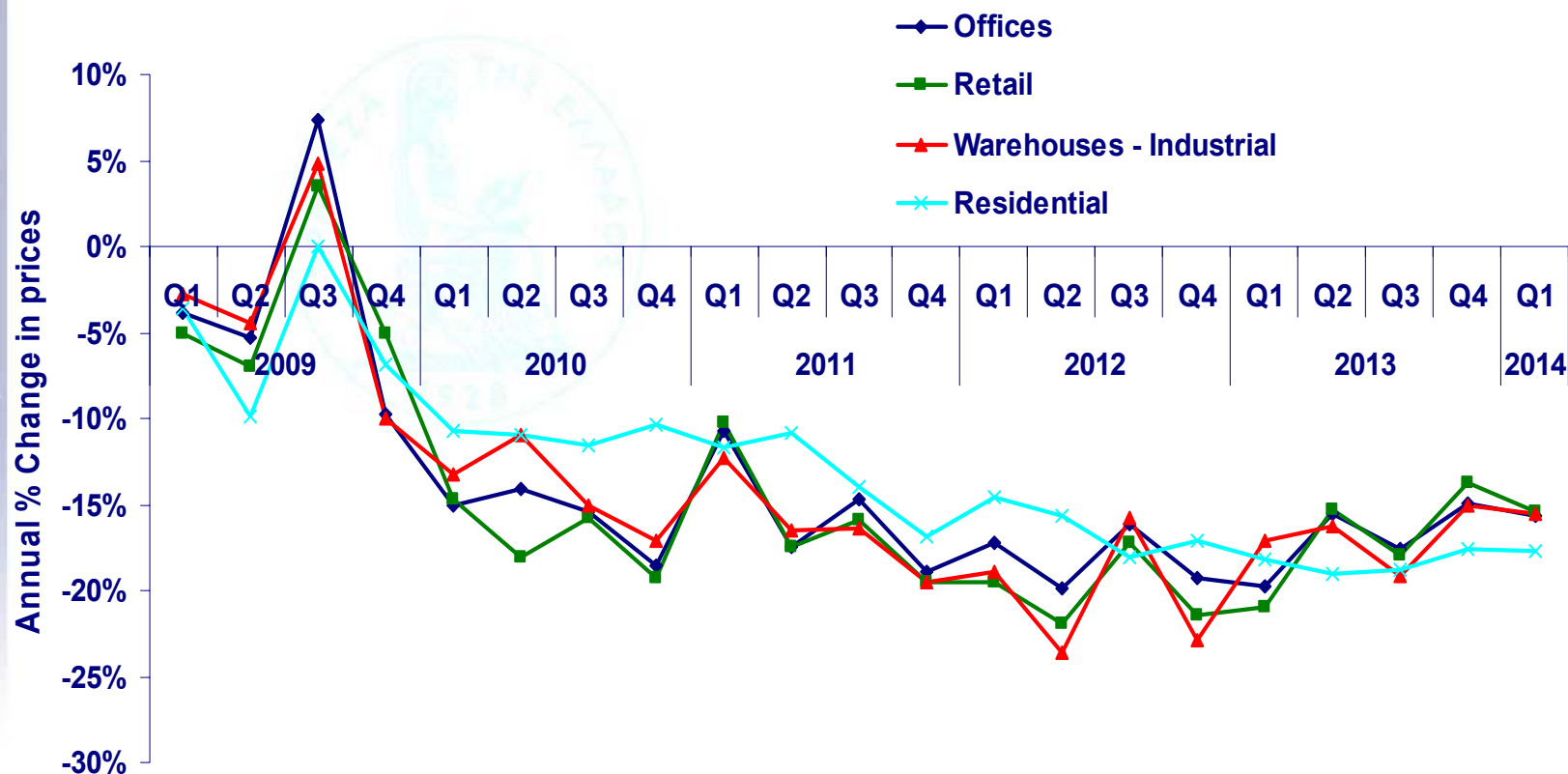


*Turnover: Ratio of transactions to stock of housing units (%)



Real Estate Agencies Survey: 2009 – 2014 Q1 results

Annual percentage changes of residential and commercial property prices



2008-2013: Decline in residential property prices on average (y-o-y) by 50% and in commercial properties by approx. 54% (Offices:-53.0%, Retail:-55.1% and Warehouses – Industrial:-53.8%).



Commercial property market overview

- **BoG commercial property data base**
- **Sources: REICs, Credit Institutions, Property Consultants, Developers, Real Estate Agents**
- **Data set comprised by prime and secondary commercial properties**
- **Coverage: entire Greece**
- **Provisional results**

		Cumulative average change (beginning of crisis up to 2013 H2)*
OFFICES	<i>Market Values</i>	~ -40%
	<i>Rents</i>	~ -35%
	<i>Yields</i>	~ 30%
RETAIL	<i>Market Values</i>	~-52%
	<i>Rents</i>	~-40%
	<i>Yields</i>	~ 36%
LOGISTICS	<i>Yields</i>	~ 35%

* Provisional data , incorporating REICs' and Credit Institutions' data



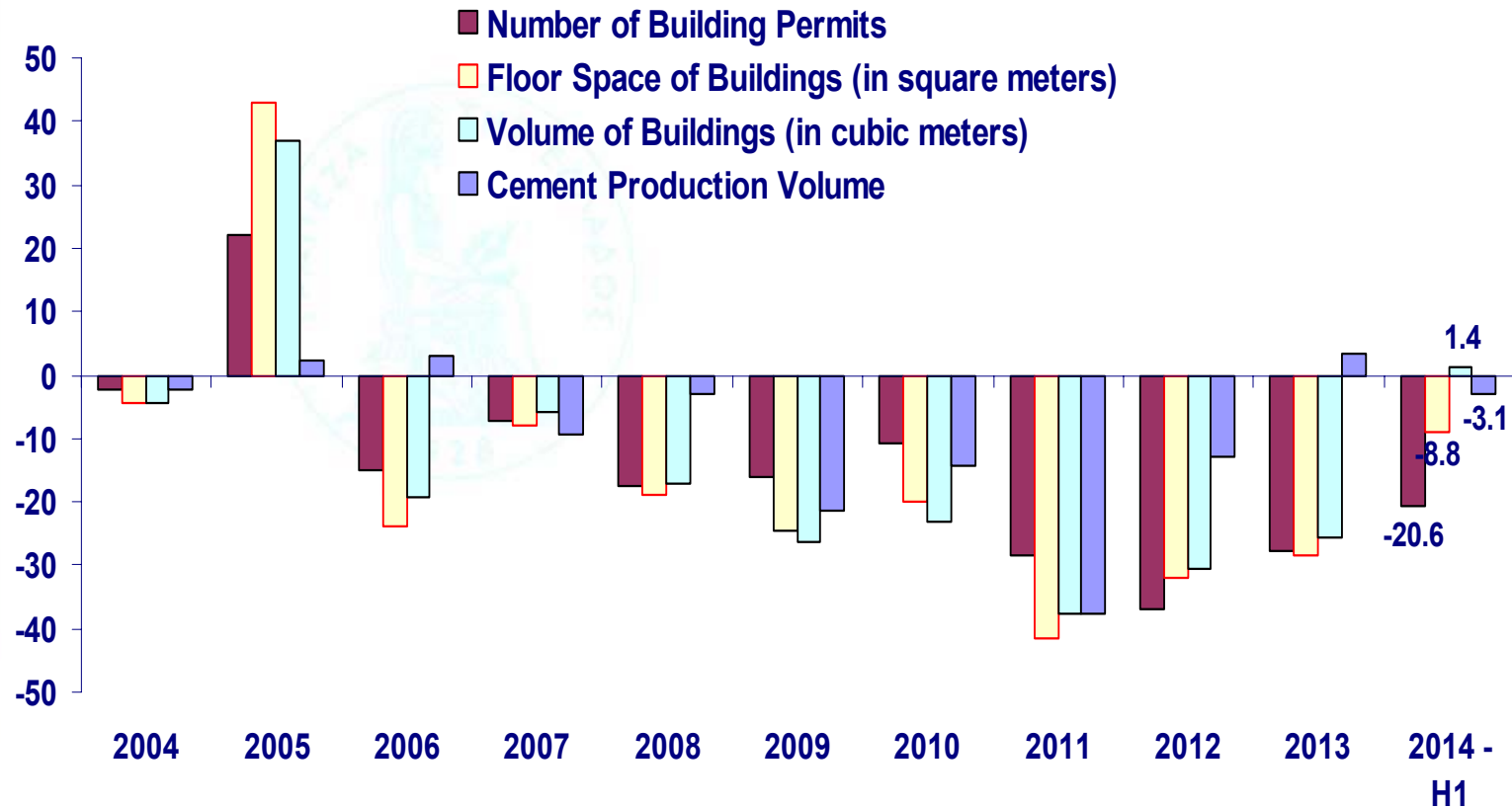


Developments in Construction



Private construction activity

(Annual average percentage changes)



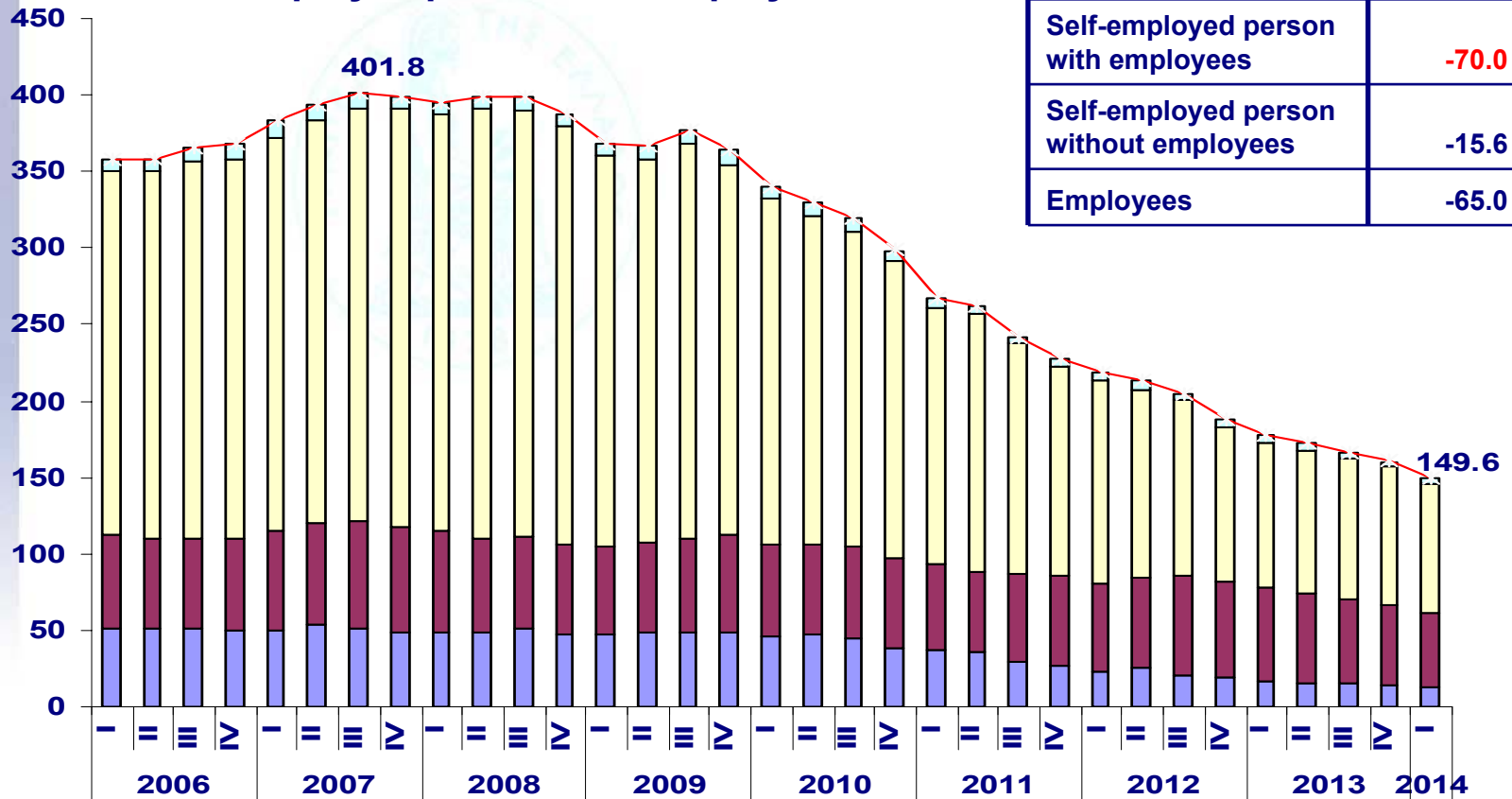
- ✓ Sharp decline in construction activity during the current crisis
- ✓ An even greater reduction in the Athens area



Employment in construction

(thousand people)

- Family workers
- Employees
- Self-employed person without employees
- Self-employed person with employees

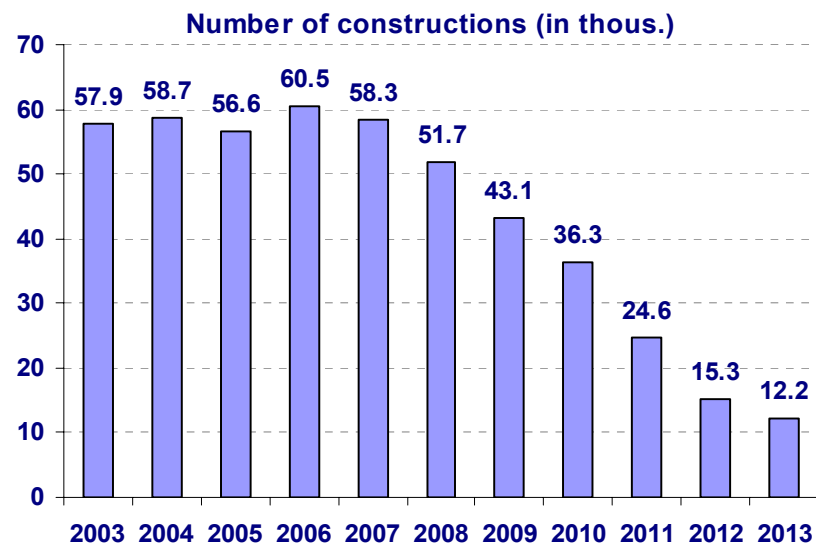
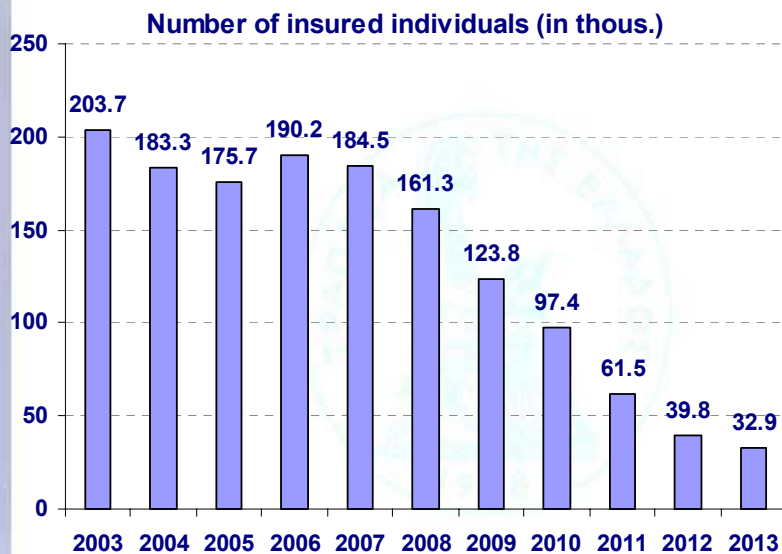


Employment in Construction		2007 - 2013
Total employment		-57.1
Self-employed person with employees		-70.0
Self-employed person without employees		-15.6
Employees		-65.0

✓ Total employment in construction decreases dramatically

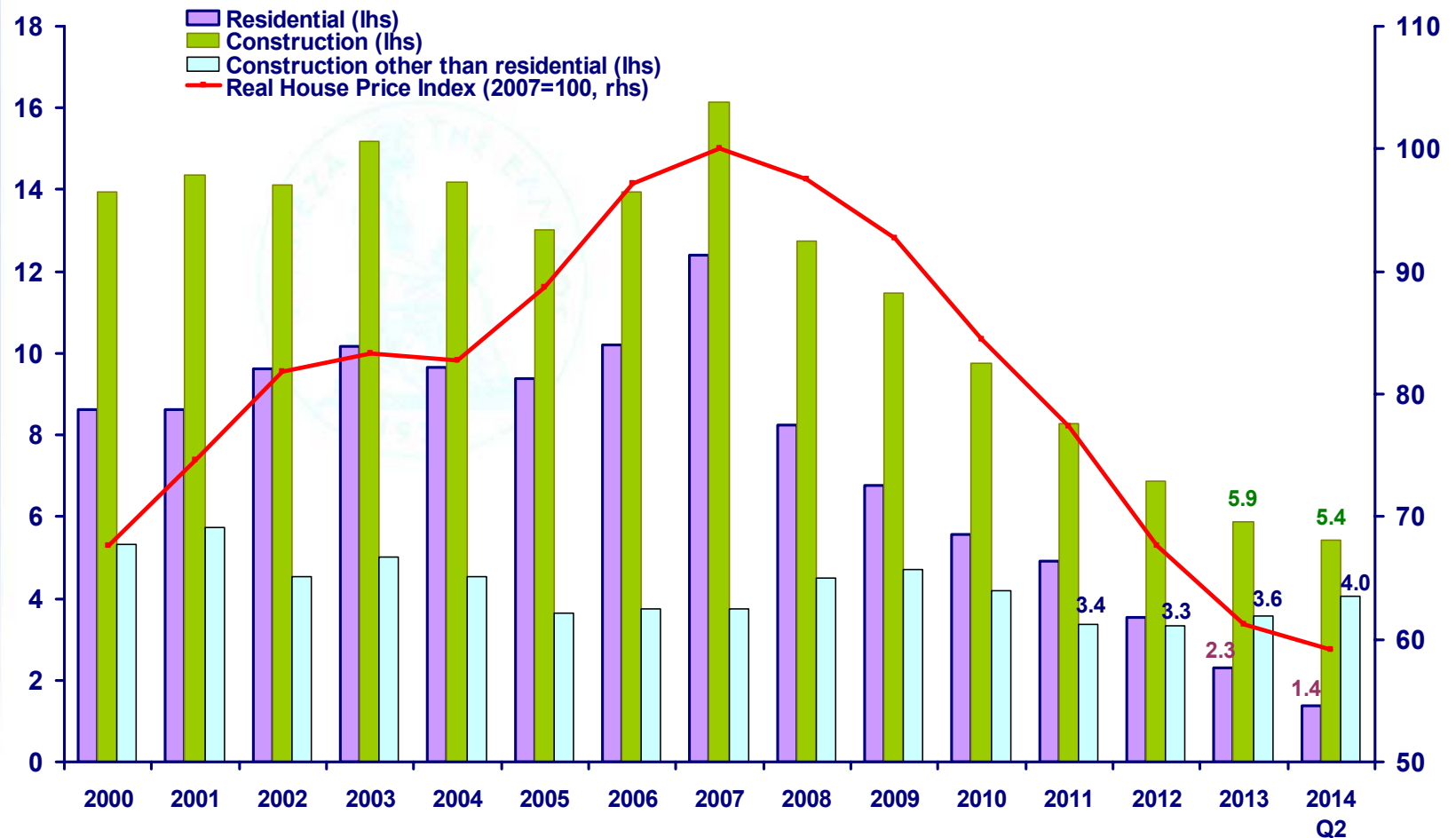


Distribution of constructions, average days of employment per month



Total construction and residential investment (at constant prices) as % of GDP and real house prices

Investment in construction as % of GDP



✓ **Strong decline in residential investment as % of GDP (2007: 12.4%, 2014 Q2: 1.4%)**

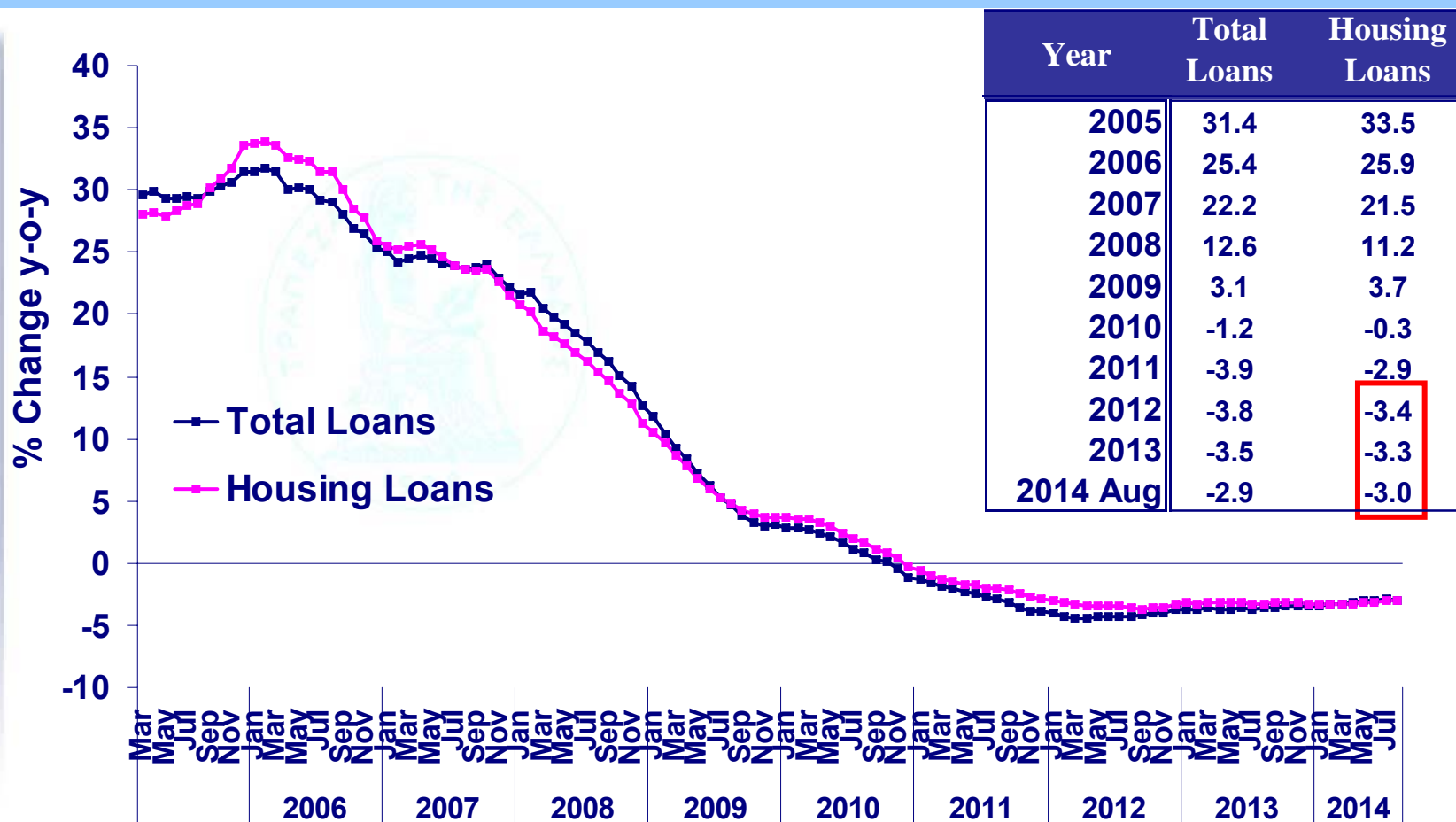




Financing of the real estate market and financial stress



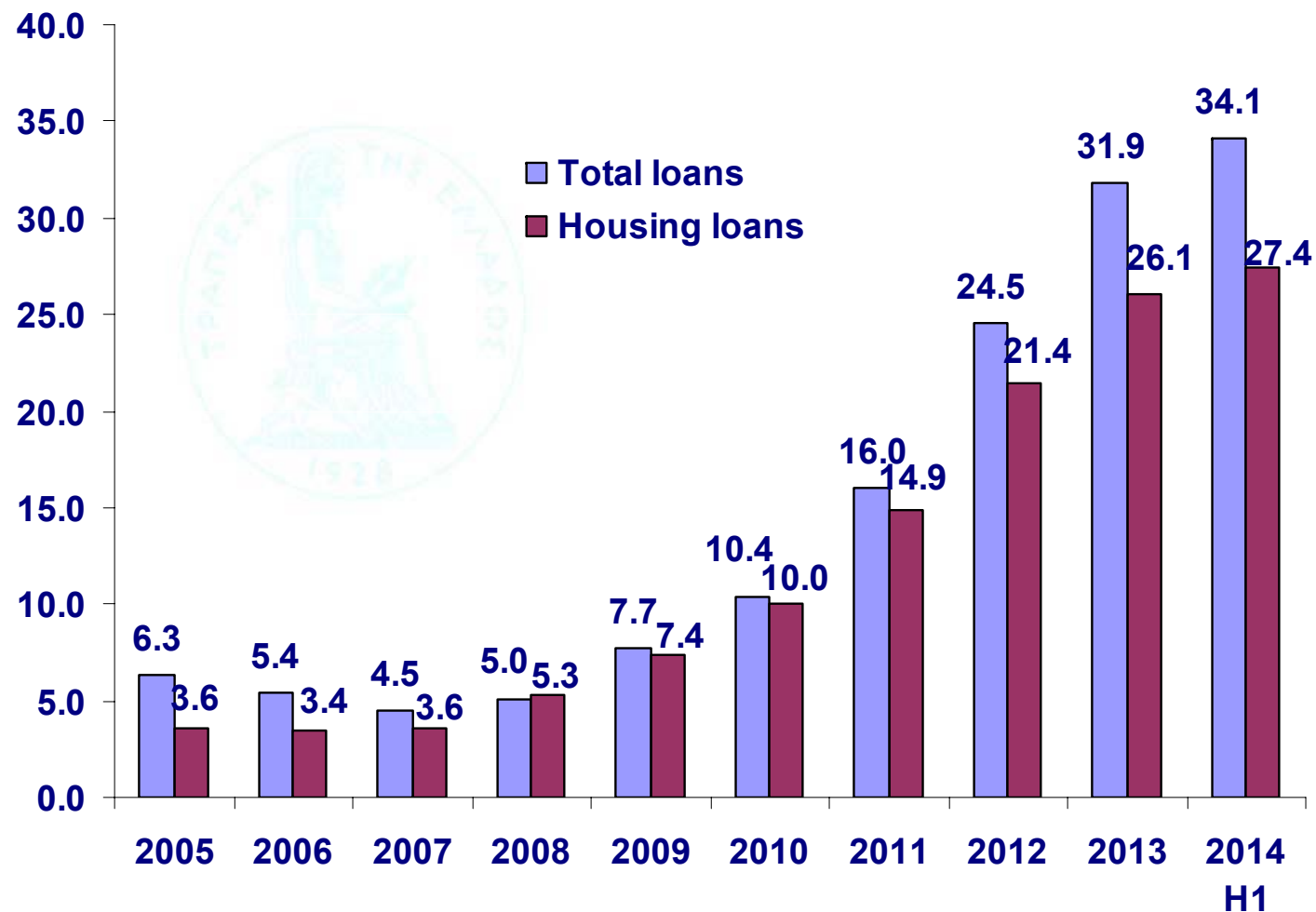
Domestic MFIs credit to households



- ✓ Continuous deceleration of credit expansion to households
- ✓ The rate of decline in the outstanding balances of housing loans slowed down after 2013
- ✓ Reluctant house buyers and cautious banks to extend new mortgages



Financial stress and high rate of non-performing loans



✓ Continuous increase in households financial stress during the current crisis

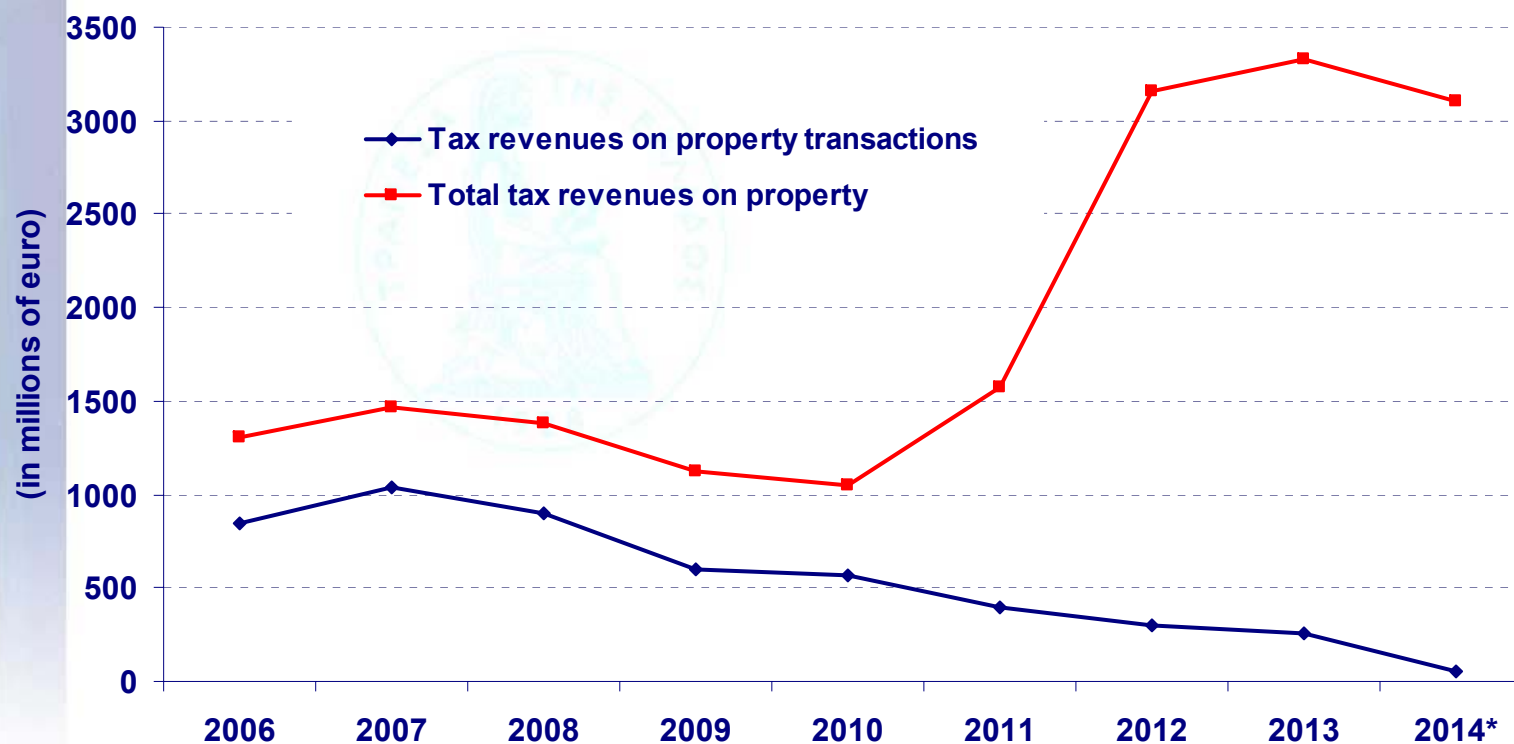




Taxation on immovable property



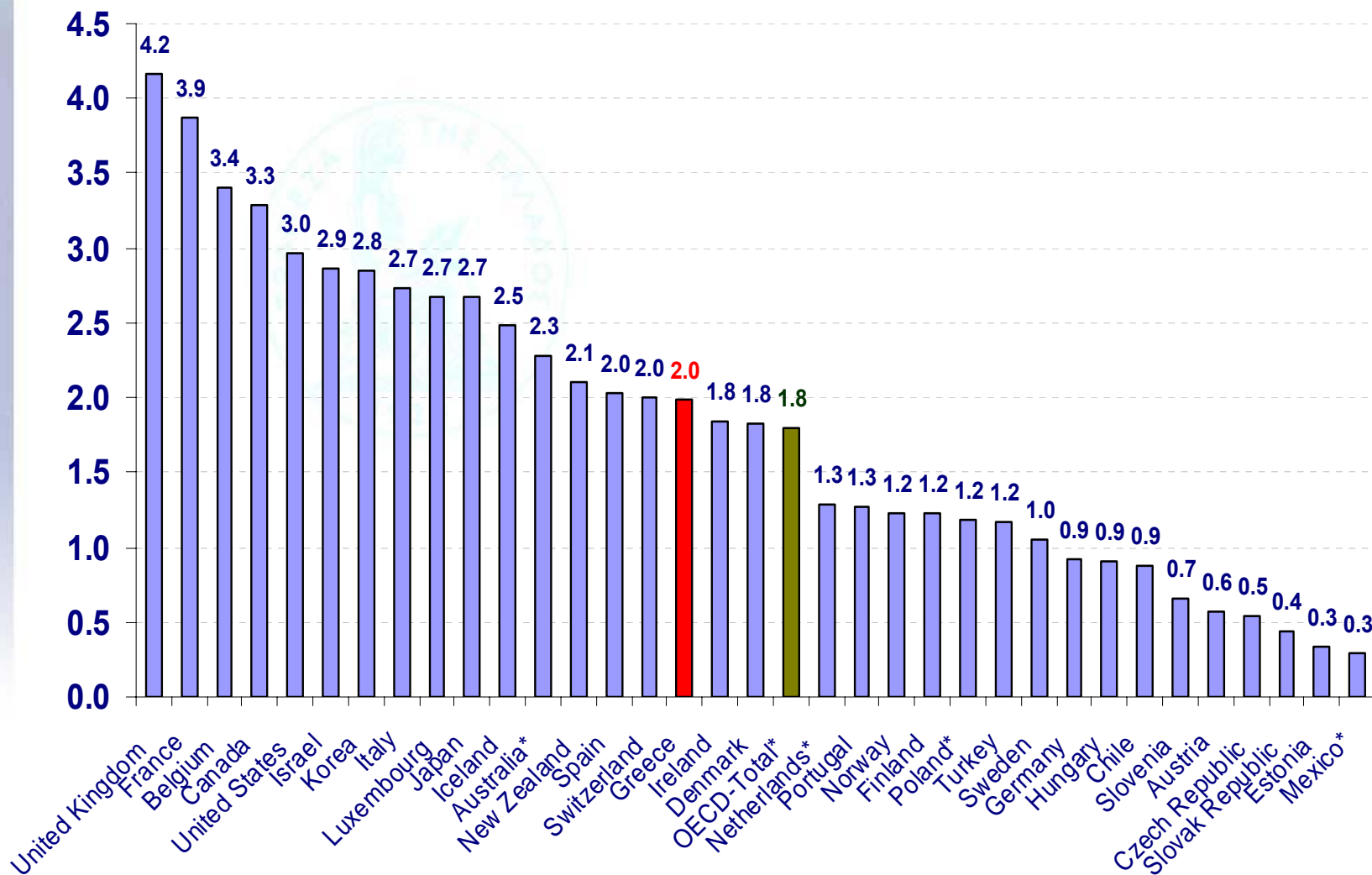
Tax revenues on immovable property (in millions of euro)



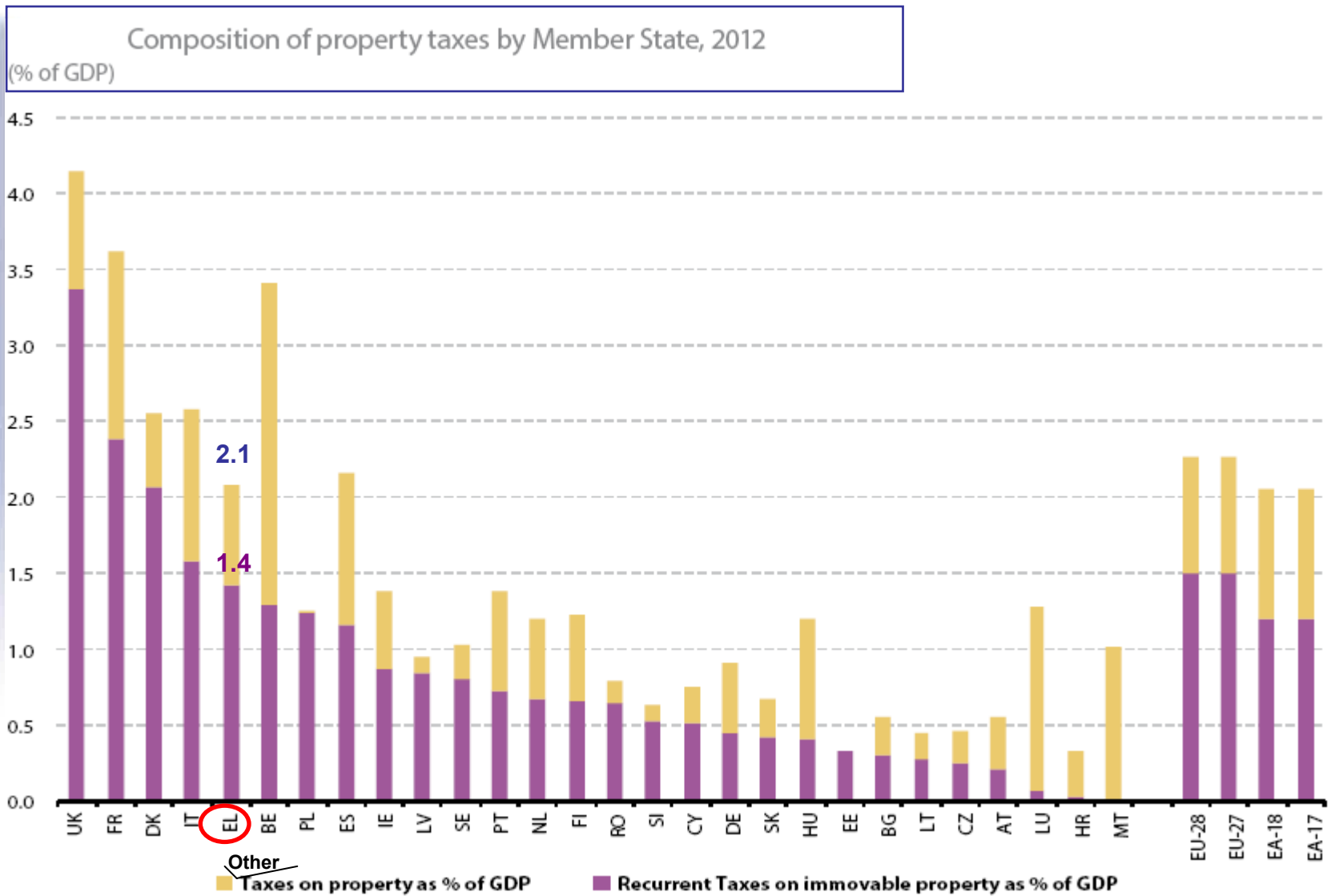
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Source: Ministry of Finance – General Accounting Office (MoF-GLK),
* 2014 forecast, BoG estimates (excl. 2 instalments of ENFIA)

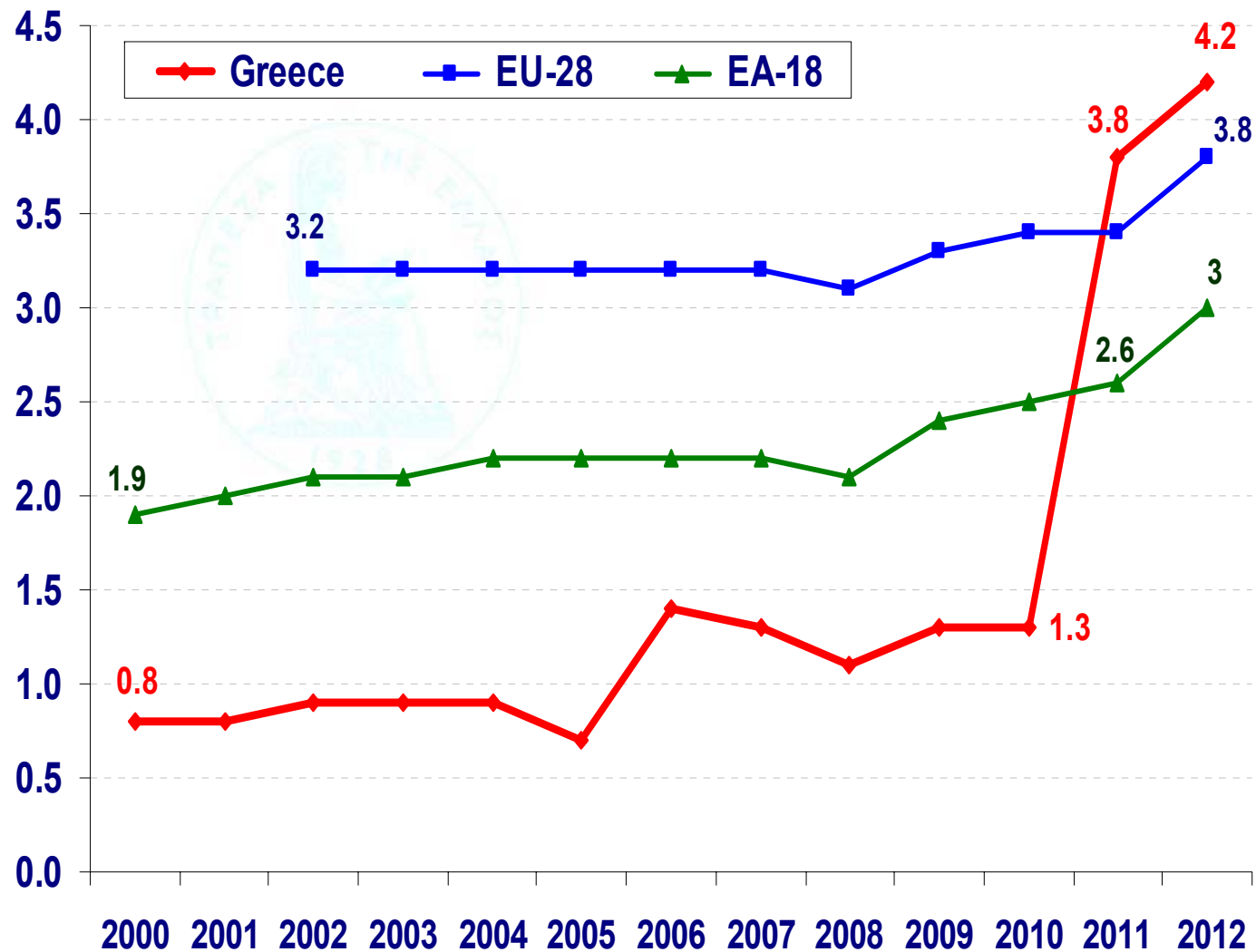
Taxes on immovable property as a % of GDP (Year: 2012)



Taxes on immovable property as a % of GDP in the European Union (Year: 2012)



Greece, EU-28 and EA-18: Recurrent taxes of properties as % of Total Taxation



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Source: DG Taxation and Customs Union and Eurostat
EU28 and EA-18: weighted average

In a few words

- ✓ **BoG: Residential Property Prices (2008Q3 - 2014Q2) -36.4%**
- ✓ **BoG - Real Estate Agencies: Residential Property Prices (2008-2013) -50.0%**
- ✓ **BoG: House price-to-rent ratio: (2006Q4 - 2014Q2) -31.9%**
- ✓ **ELSTAT: Number of transactions in real estate market (2005 -2012) -78.4%**
- ✓ **ELSTAT: Private construction activity – Volume of Buildings (m³) (2005 - 2013) -89.0%**
- ✓ **ELSTAT: Employment in construction – Self-employed person with employees (2007-2013) -70.0%**
- ✓ **IKA: Employment in construction – Number of insured individuals (2006-2013) -83.0%**
- ✓ **ELSTAT: Production Index in Construction (2008-2013) -70.2%**
- ✓ **ELSTAT: Residential investment (2007-2013) -72.2%**



- ✓ Negative short-term expectations remain (economic, employment, taxation, etc.) despite the recent improvement in business expectations
- ✓ Low number of property transactions and heavy taxation on property ownership
- ✓ From transfer to recurrent taxes on properties
- ✓ Red tape in the Greek real estate market is an additional factor that discourage demand
- ✓ Notable efforts for the development of public real estate assets but revenues remained low.
- ✓ Rent prices decline and renegotiations of lease contracts
- ✓ Cautiousness in developing new investment projects and general shift to more affordable commercial properties
- ✓ Expectations of further adjustment in prices



Important pending issues:

- prohibition of auctions for primary residence?
- requirement to disclose the origin of the funds to purchase/build real estate property?
- urban planning regulations? land uses? etc
- adjustment of objective values?
- Stress test and nPLs



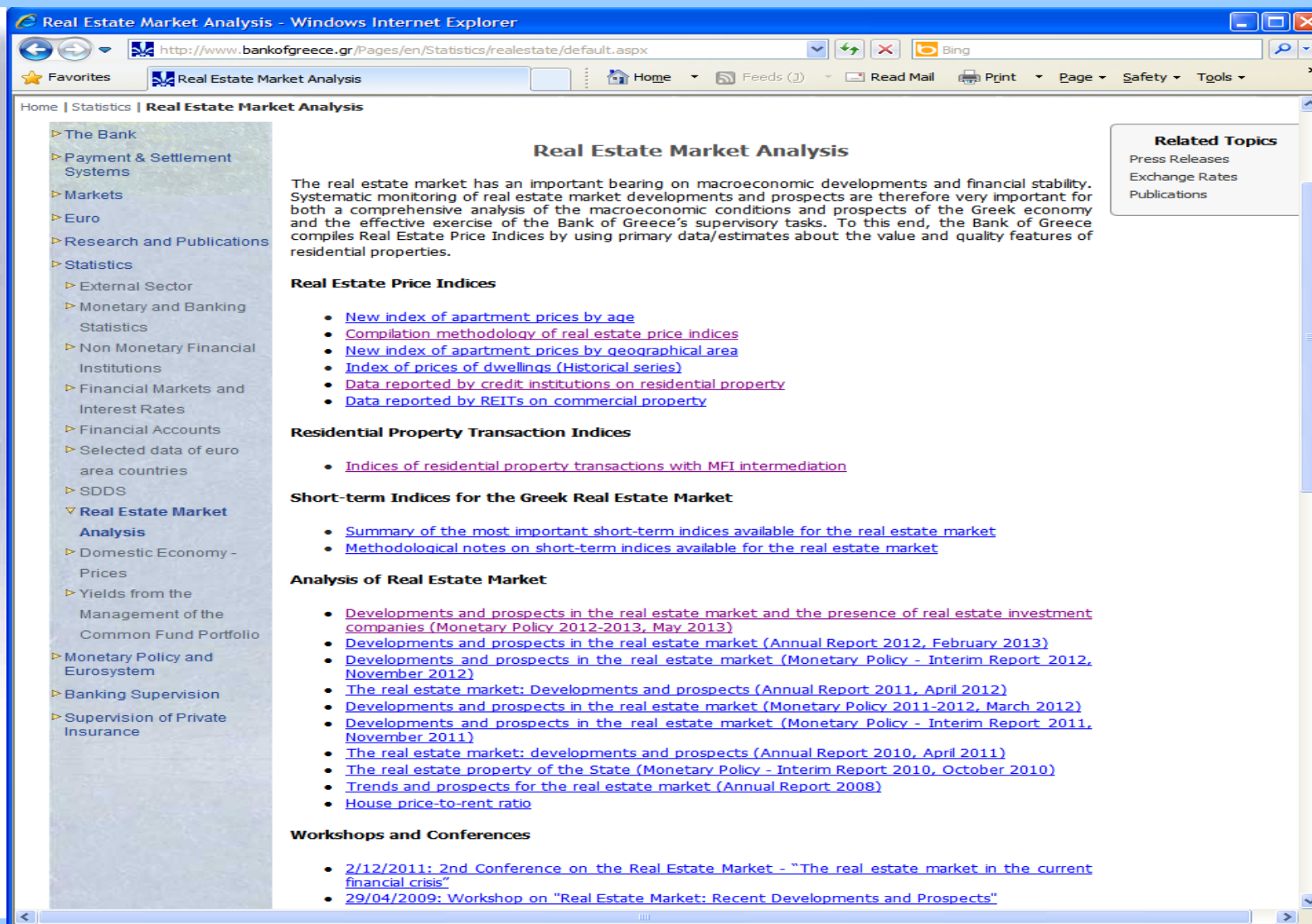
Prospects for stabilization and recovery

- ✓ **The recovery of the property market is linked directly to:**
 - **improving the expectations**
 - **reducing the prevailing uncertainty**
 - **reducing the tax burden and establishing a constant real estate taxation system**
 - **financing the market by the banking system**
 - **the overall prospects for dealing with the problems of the Greek economy (fiscal, structural, etc.)**



Visit our website in Real Estate Market Analysis Section

<http://www.bankofgreece.gr/Pages/en/Statistics/realestate/default.aspx>



The screenshot shows a Windows Internet Explorer browser window displaying the 'Real Estate Market Analysis' page on the Bank of Greece website. The browser's address bar shows the URL: <http://www.bankofgreece.gr/Pages/en/Statistics/realestate/default.aspx>. The page content includes a navigation menu on the left, a main heading 'Real Estate Market Analysis', an introductory paragraph, and several sections with bulleted links to various reports and indices.

Real Estate Market Analysis

The real estate market has an important bearing on macroeconomic developments and financial stability. Systematic monitoring of real estate market developments and prospects are therefore very important for both a comprehensive analysis of the macroeconomic conditions and prospects of the Greek economy and the effective exercise of the Bank of Greece's supervisory tasks. To this end, the Bank of Greece compiles Real Estate Price Indices by using primary data/estimates about the value and quality features of residential properties.

Real Estate Price Indices

- [New index of apartment prices by age](#)
- [Compilation methodology of real estate price indices](#)
- [New index of apartment prices by geographical area](#)
- [Index of prices of dwellings \(Historical series\)](#)
- [Data reported by credit institutions on residential property](#)
- [Data reported by REITs on commercial property](#)

Residential Property Transaction Indices

- [Indices of residential property transactions with MFI intermediation](#)

Short-term Indices for the Greek Real Estate Market

- [Summary of the most important short-term indices available for the real estate market](#)
- [Methodological notes on short-term indices available for the real estate market](#)

Analysis of Real Estate Market

- [Developments and prospects in the real estate market and the presence of real estate investment companies \(Monetary Policy 2012-2013, May 2013\)](#)
- [Developments and prospects in the real estate market \(Annual Report 2012, February 2013\)](#)
- [Developments and prospects in the real estate market \(Monetary Policy - Interim Report 2012, November 2012\)](#)
- [The real estate market: Developments and prospects \(Annual Report 2011, April 2012\)](#)
- [Developments and prospects in the real estate market \(Monetary Policy 2011-2012, March 2012\)](#)
- [Developments and prospects in the real estate market \(Monetary Policy - Interim Report 2011, November 2011\)](#)
- [The real estate market: developments and prospects \(Annual Report 2010, April 2011\)](#)
- [The real estate property of the State \(Monetary Policy - Interim Report 2010, October 2010\)](#)
- [Trends and prospects for the real estate market \(Annual Report 2008\)](#)
- [House price-to-rent ratio](#)

Workshops and Conferences

- [2/12/2011: 2nd Conference on the Real Estate Market - "The real estate market in the current financial crisis"](#)
- [29/04/2009: Workshop on "Real Estate Market: Recent Developments and Prospects"](#)

Related Topics

- Press Releases
- Exchange Rates
- Publications



Thanks for your attention!

Contact Details

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