

GR Research 2023



SPOTLIGHT

Savills Greece Research

Athens Residential Market

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International Associate





Economy

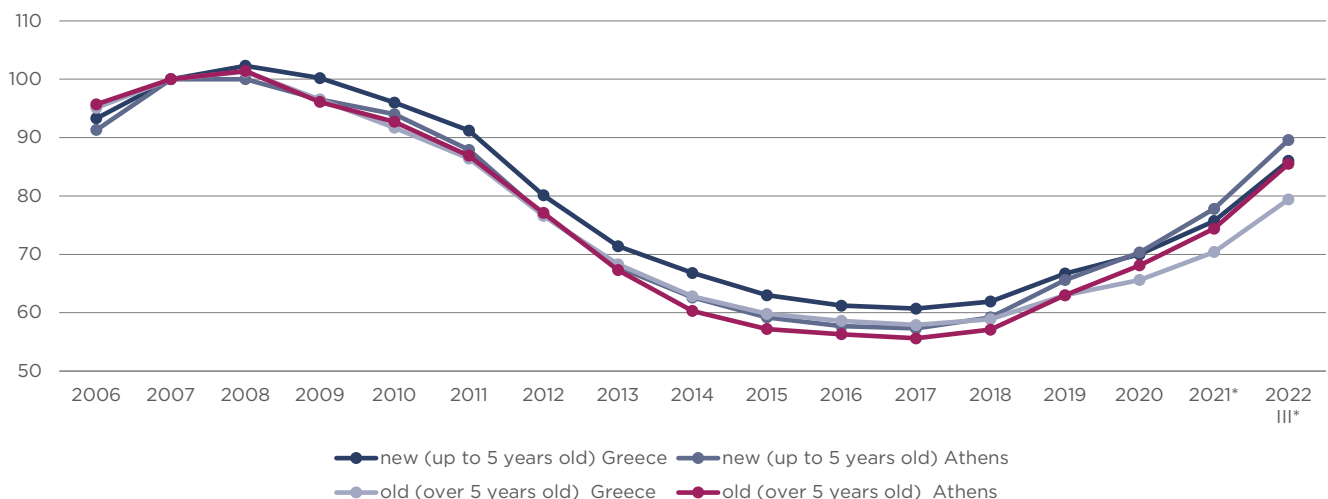
Despite the 10-year economic recession and the effects of the Covid-19 pandemic, the Greek economy (according to the latest published data from the Bank of Greece) recovered rapidly in 2021, while further growth is expected for 2022, albeit at a slower pace due to both geopolitical challenges and the ongoing Russia-Ukraine war.

In this context, the unemployment rate decreased significantly, and is expected to continue towards reaching pre-crisis levels, while disposable income showed increase reaching c. 20% lower than pre-crisis levels. The Greek real estate market has remained strong

and growing over the last three years with the residential sector showing some impressive growth compared to commercial real estate, despite the negative effects of the pandemic and the energy crisis that has led to a slowdown in most European economies.

Despite these challenges, house prices in Greece have been gradually increasing, steadily reaching pre-financial crisis levels. Prices for over 5 years old properties have increased by 21.5% over the past five years (Bank of Greece data for Q3 2022), when new build property prices have fared even better with prices increasing by 25.3% over the past five years.

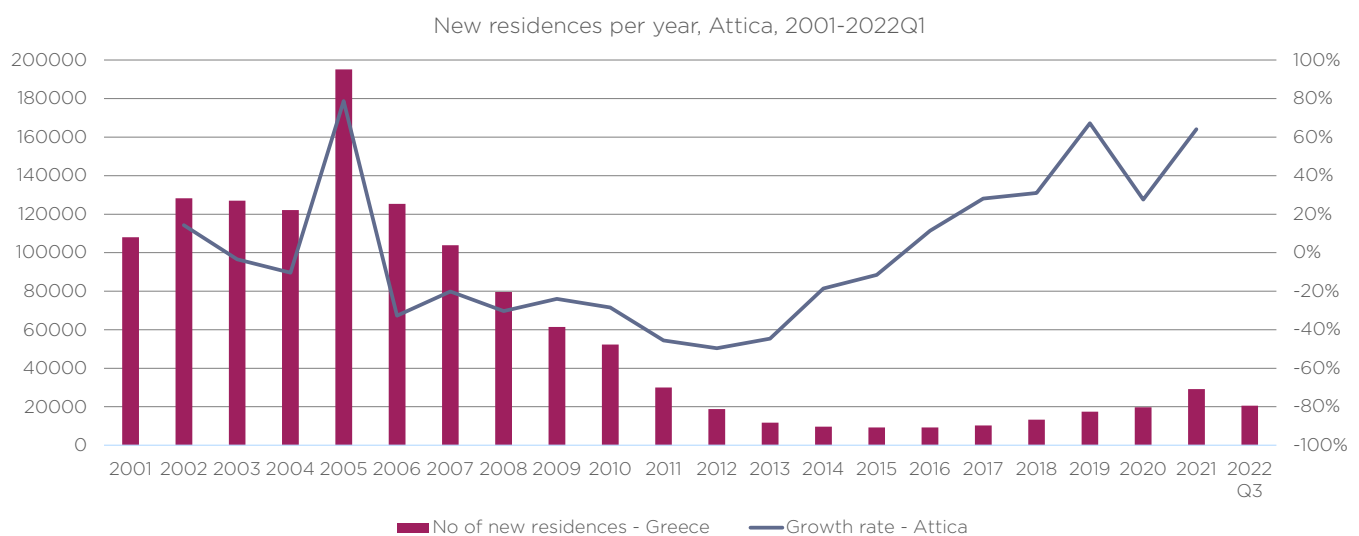
Price index of residences, Greece & Attica (2007=100)



Source: Bank of Greece

Construction & Residential Activity

Post-financial crisis, a gradual re-launch of the construction industry began in 2016. This trend has been continuing until today, with the annual growth in new housing in the metropolitan area of Attica being multiple compared to Greece as a whole. For 2021, construction activity on a country level continued its strong positive growth comparing to 2020, as regards the number of permits issued, with monthly data for 2022 showcasing a similar pattern being continued. As regards new-built residences being added to the existing stock, these have also been on the rise on an annual basis since 2017, with data for 2022 showing that growth will still continue.

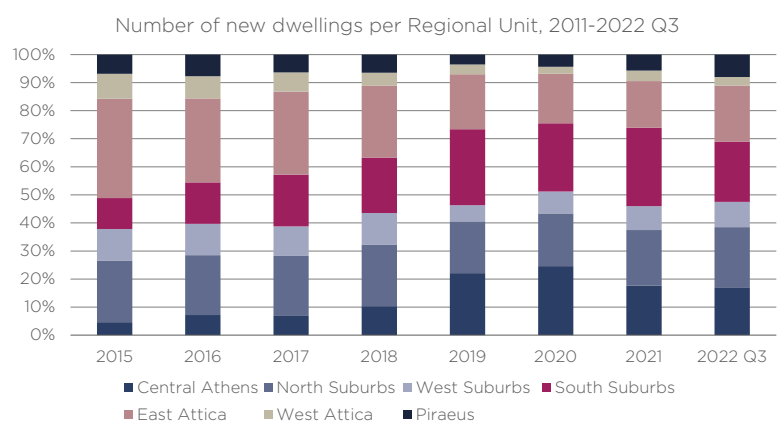


Source: Hellenic Statistics Authority



Residential construction activity appears to have shifted from the North to the South of Athens over recent years, while activity in the Center was in Q3 2022 compressing after a few years of significant growth.

The important regeneration projects of the Athens Riviera (such as The Ellinikon Project) have consolidated the demand and correspondingly increased the construction activity in the area. According to Savills Greece Agency Department, new developments in the surrounding area are showing steady purchasing interest.



Source: Hellenic Statistics Authority

Market Activity

Greek Golden Visa

Even though Greece lagged behind other European destinations in establishing a residency-by-investment scheme (Golden Visa), since its introduction in 2013 the program has granted more than 11,000 applicants with the ability to freely enter, stay and move throughout Europe, and interest in the scheme is in a pattern of constant annual growth.

The Golden Visa was admittedly one of the important factors boosting residential transactions in the crisis-wounded property market of Athens.

In an effort to spill-over this effect to other locations in the country, the regulation was changed at the end of 2022, in order to raise the minimum investment threshold to 500,000 €, from 250,000 € previously, if a buyer invests in properties located in the central, north and south of Athens, as well as Mykonos, Santorini and Thessaloniki.

Real estate sales, after reaching a peak in 2005, followed a downward path, with the picture appearing to reverse to a gradual upward trend from 2014 onwards with the exception of 2020, something which is easily explained due to the lockdowns brought by the Covid-19 pandemic and the limitations posed.

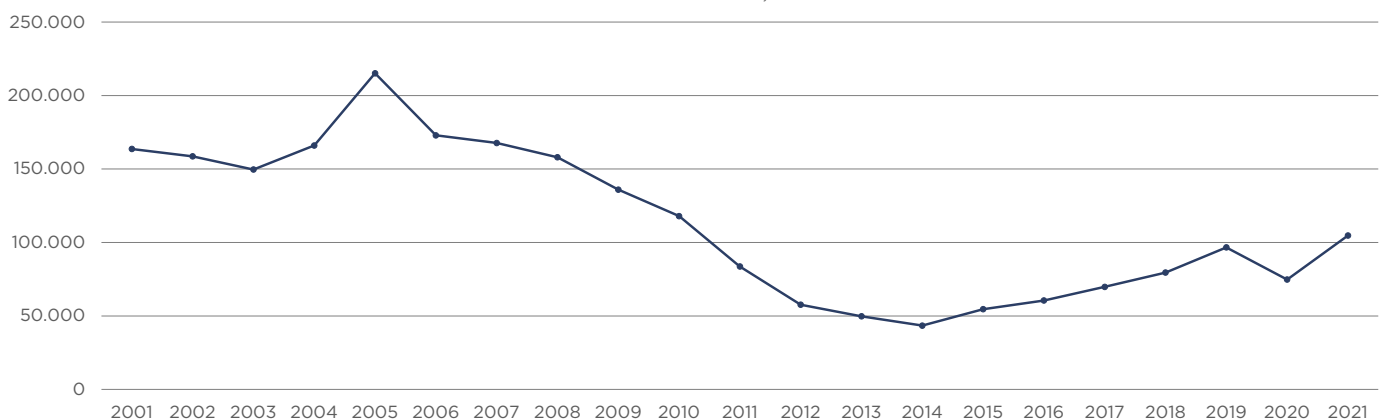
Despite recent challenges, the significant growth of 2019 (21,5%) seems to continue today. The improvement noted in the intentions of consumers to buy a house and in the estimates regarding the demand for mortgage loans in Q4 2022 (European Central Bank) contributed significantly to this direction.

According to Bank of Greece benchmarks, it is assumed that more than 85% of all real estate transactions refer to residential assets. This is translated into approximately 90,000 residential transactions in 2021 (back to 2018 levels), compared to c.180,000 residential transactions at the peak of the market (2005), constituting the best year since the financial crisis.

From the above information, and based on statistical data that c. 20% of all residential assets are located in the Region of Attica (according to the 2011 Census), we can extrapolate that c.18,000 transactions of residential assets took place in 2021 in Attica.



Real estate transactions, 1998-2021



Source: Hellenic Statistics Authority

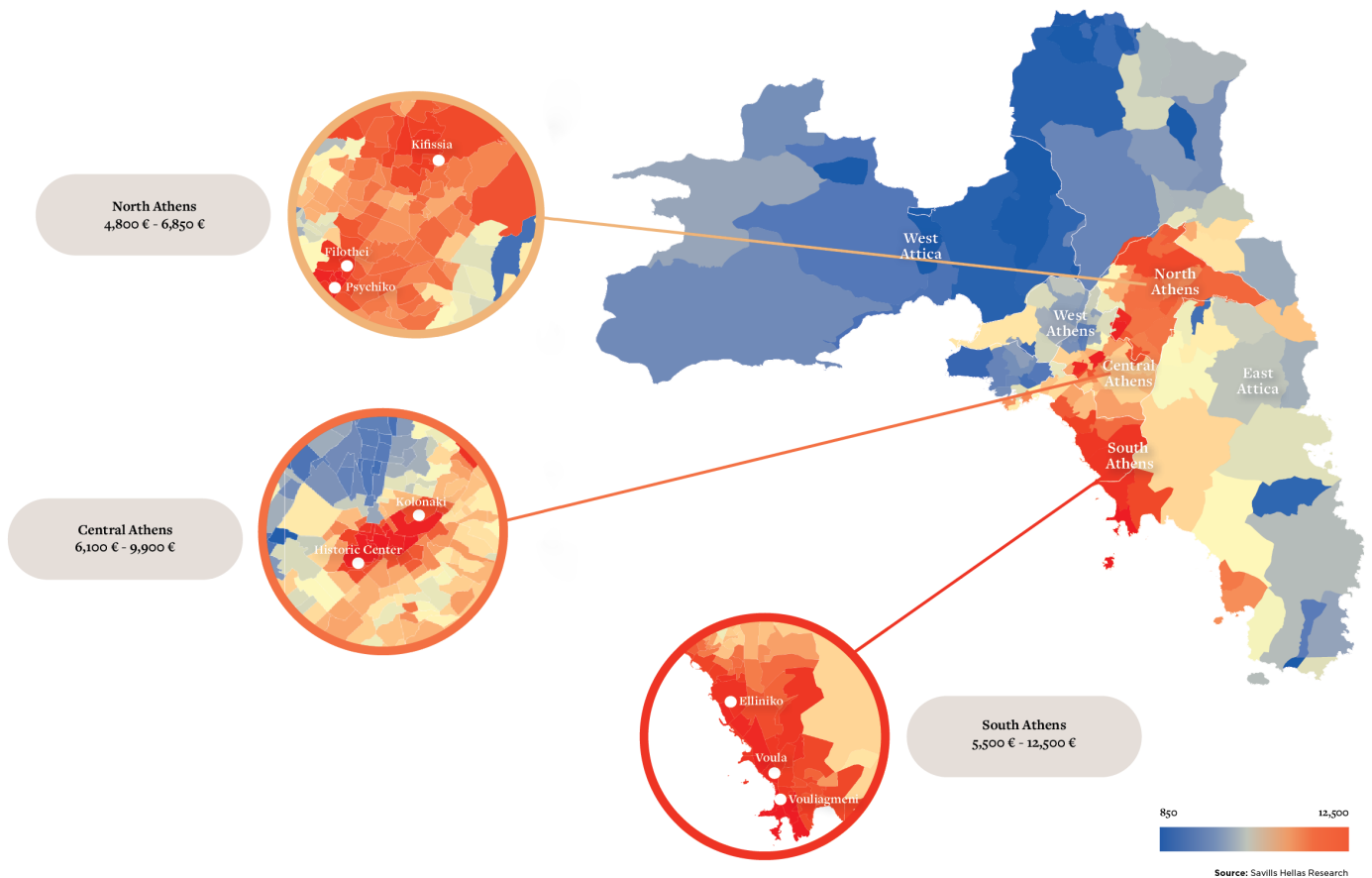
Pricing

The sale price/sqm assigned to each Municipality on our 2022 heatmap reflects a newly built apartment of 90 sqm, with 2 bedrooms and parking space, and has been derived through regression models, combining houses' building characteristics as well as spatial variables, based on asking prices obtained from relevant real estate sales advertisements

for the Attica region (Q2 2022). Similar to the national picture, prices in Athens experience steady growth, showing continuous signs of recovery from the financial crisis.

Over the last 3 years, residential prices in Athens seem to be increasing in a higher rate than the rest of Greece,

probably because of, besides other factors, the city's growing popularity as a tourist destination which along with the rise of short-term rentals provide income opportunities for home owners. Investors are also increasingly taking advantage of this rental demand leading to further price increases.



The Ellinikon Project

A game-changer in the property market of Athens, The Ellinikon project is the largest urban regeneration project in Europe, covering an area of 600 ha and including new residential neighbourhoods, a commercial district, two new-generation malls, a marina, multiple hotels and leisure facilities, all surrounding Europe's largest coastal Metropolitan Park. The announced 9,000 residential units, being developed in a span of 20 years, have already had an impact on the growth in supply, demand and pricing of new-built property in all areas around the project, establishing the south suburbs as both the most prime and with highest potential areas of the city.

As it can be seen on the map, the highest values per sqm are found in the South Suburbs, the center of Athens and the North Suburbs. These price levels can be attributed to the sea-proximity premium as regards the South Suburbs, and to the bigger plots with low building density and large green spaces offered in the North.

As regards the prime central areas, being located within walking distance to all well-known attractions of the city make them appealing to buyers seeking a home close to famous sites, either as a first home or as an income-generating asset.

Investment Activity

The index of business expectations for the construction of houses of the IOBE, during the first five months of 2023, marked downturn compared to the corresponding period of 2022, reaching the levels of 2021 (the period after the pandemic) but in any case, still remains at some of the highest levels since the financial crisis. It is obvious that the significant rise of construction costs is reflected in the decrease of the index. In the first nine months of 2022, net foreign direct investments (FDI) in Greece's real estate market recorded a high annual growth rate (59%) and reached 1267.9 million euros, marking the highest performance since 2002, with the second largest net inflow occurring in the equivalent period of 2019.

The upward trend in housing investments (seasonally adjusted data, in constant prices) which increased by 8.2% in the third quarter of 2022 on an annual basis, although still at a low level as a percentage of GDP, is another element reflecting the dynamics of the residential market. In this context new residential products have recently started making their presence in the Athenian market. Both REICs and private equity funds are showing special interest in the development of build to rent (BtR) and student housing projects across Athens, but also for senior housing projects in other, non-urban, areas.



Market Outlook

Although the dynamic growth of the residential real estate market appeared to shrink slightly in 2020 based on sale transactions, as it was expected due to the covid-19 pandemic, real transaction data for 2021 (latest available from the Hellenic Statistical Authority) reveal that the market is still relatively resilient. This is also evidenced by the annual growth rate of residential prices and steady demand levels. The positive growth rates in real estate values, investment mobility and the strengthening of construction activity recorded in 2022 still leave their mark on the market.

However, significant uncertainties that affect real estate directly, such as increased construction and energy costs, but also indirectly, such as the

possible effects of geopolitical instability and inflationary pressures on tourism and investment activity, are estimated to lead the market once again to a wait and see attitude, especially in the case of investments in new real estate development projects (Bank of Greece). The increase in interest rates is also expected to affect households in their effort to acquire new homes, by making use of mortgage loans. In this context, the government is considering the implementation of new housing support policies, especially for the younger part of the population.

VAT on Construction

At the peak of the market in 2006, a VAT of 24% was imposed on the purchase value for any first sale of newly built property directly by their developer to any non-primary-home buyer.

In an effort to revitalise the construction sector, this measure was suspended in 2020 and immediately had a positive effect on both construction activity and new built sales.

Especially in areas with high demand, this translated into a significant increase of off-plan sales from the end of 2020, leading today to the majority of prime new-built property being completely sold-off before construction completion.

The success of the VAT suspension has led to its continued extension at least till the end of 2024, and possibly further in the future.



Savills Hellas

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As well as undertaking individually commissioned research projects and providing support to the service departments of Savills, we also publish a series of highly respected research reports.

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