

Real Estate Markets in Greece: Expect a Boom!

In Europe, demand for real estate continues to grow. New investors are entering the market all the time, and existing investors are showing increased interest. While London remains the top global city for cross-border real estate investment followed by Paris, holiday properties are emerging as one of the hottest trends. Demand is expected to double over the next five years, especially in southern Eurozone countries that offer affordable prices and warm climates. This year, one in three Europeans will be seeking to purchase a vacation home, and sales of luxury properties are expected to increase.

Greece in the forefront

In Greece, GDP expansion rates are currently one of the highest in the Eurozone countries. Its economic growth rate was 4.4 percent through the third quarter of 2006, with inflation at 3.3 percent.

A positive outlook marks the current Greek real estate market, with attractive opportunities for developers and investors from all parts of the world. According to the Foundation for Economic and Industrial Research¹ (IOBE), this healthy real estate market has contributed to the growth of the Greek economy. Housing prices have more than doubled, mostly due to the decline in domestic interest rates and the boom in the stock market.

With the expansion of Greece's economic and development infrastructure, the government offers investment incentives in order to attract businesses to new geographic locations. Greece is seriously committed to building technology parks and new industrial areas. The great success of the 2004 Olympic Games has also generated new residential and commercial real estate opportunities.

Vacation and retirement homes

The demand for second homes, both in mainland Greece and the Greek Islands, keeps growing as foreign buyers seek the comfort of warm hospitality and a sunny new destination. Good weather, crystal clear waters, low taxes and good cost of living, make investing in a vacation home in Greece a great option. There are properties for all budgets: apartments (condos) on the beach start at ?100,000 (\$130,000), while maisonettes (townhomes) are selling at around ?200,000 (\$260,000). Independent villas are available between ?250,000 (\$320,000) and ?1 million (\$1.3 million) and above. A new mortgage service for foreign buyers offers up to 80 percent loan-to-value for existing properties and up to 70 percent LTV for the purchase of land.

Because of the current developments of luxurious golf resorts in various parts of the country, such as Rhodes, Crete, Zakynthos, Peloponnese, Messinia, Volos, and Halkidiki, millions of global golf fans will soon find world-class recreation and accommodation facilities in a country that enjoys 355 days of sunshine a year. Investment in properties offering high-standard, year round integrated resort properties with hotels, villas, spas, and golf courses are expected to grow substantially in the next few years.

Marinas and waterfront developments

In addition to golf-centered developments, high importance is also placed on developing marina project developments. Three marinas near Athens have already been leased. The Alimos marina—the largest in the Mediterranean with 1,200 berths—will be available in 2008 for a long-term lease.

According to the Greek Tourism Development Organization² (GNTO), another large project involves a completely undeveloped plot of more than 1.3 million square meters, plus 2.5 kilometers of beachfront on the coastal road from Athens to Sounion. This land has now been approved for development and, by presidential decree, can be used for construction of hotels, theme parks, convention centers, water sports, sports camps and golf.

Shopping centers in the region

In the next few years, the combined quantity of space earmarked for shopping centers due to come into the market in Greece, Turkey, Romania and Bulgaria totals more than 1.2 million square meters.

"Greece is an extremely exciting market where a huge amount of product in the development pipeline needs to be matched to the weight of international money trying to get into the market," says Phil Evans, Head of Retail Asset Management at Cushman & Wakefield.

As today's international consumer travels more and enjoys high quality shopping, the desire for modern shopping centers is increasing rapidly in the country's large commercial cities.

Office and warehouse space

As businesses consolidate their operations in Greece, moving into larger buildings that must be fit out with modern technology, the need for more and newer office space grows. Also, improved infrastructure and easier transportation to locations outside the cities allow corporations to move away from the traditional business hubs, enabling them to enjoy the benefits, not only of new construction and ample parking, but also much lower rents.

Office and warehouse vacancy rates were below eight percent in the second half of 2006. Corporate tenants are seeking office space with floor plates above 2,000 square meters. Existing space is generally much smaller.

The key players in the market continue to be banks, financial services firms, consulting and legal firms, insurance companies, and pharmaceutical companies. Monthly rental rates for Class A space range from ?15 to ?23 per square meter (\$19.50 to \$30) in the center. Class B properties range from ?10 to ?15 per square meter (\$13 - \$19.50).

There is also a growing demand in logistics warehousing facilities as investors are entering this market.

Hotels

Investments in Greek tourism receive public funding in the form of subsidies and substantial tax incentives.³ The sectors included are: hotels, spa and health facilities, golf resorts, and conference centers. Athens is becoming a favorite destination for international conferences due to the large, modern facilities offered in the city. Some of the buildings constructed for the 2004 Olympic Games can now be converted into conference halls, expo or show rooms.

Among other projects, the Best Western hotel chain is developing five new hotels and six holiday villages on the island of Crete. The ?1.2 billion project will be built on monastery property at Cavo Sidiro, a small peninsula at Crete's northeast tip. In addition to the holiday villages, the project features a conference center, golf courses and football, volleyball and basketball facilities.

A word of caution

The real estate profession is not yet officially regulated in Greece. Bureaucracy, although improving, can be daunting. You are well advised to approach all transactions with the valuable assistance of a team of experts that includes an International Property Advisor, a Tax Attorney, a Notary Public, and a local lawyer who can confirm a clear title—free of liens, third party rights, estate or municipal taxes—to ensure a seamless transaction for you and your clients.

1. Foundation for economic and industrial research in Greece - <http://www.iobe.gr/>

2. Travel in Greece - <http://www.gnto.gr/>

3. ELKE Hellenic Center for Investment - <http://www.elke.gr/>