

INVESTING IN REAL ESTATE IN GREECE

BY: Alexandros Laios, Member of the Athens Bar

General Overview of the Market

The Residential Market

- Home ownership is very high in Greece. This demonstrates how common it is for Greek citizens to invest in properties, especially in the residential market.
- The European average for home ownership is at 63% while the average in Greece is at 83%.
- The value of Greek ownership in Greece is estimated at 640 BEUR.
- The Ministry of Economy is predicting a 9% growth in housing for the year 2007.
- According to the Bank of Greece, there has been a recent 50% increase of foreign investment in second homes in the last two years.

The Retail Market

- Traditionally in Greece most retailers operate in small schemes the result being high street retailing.
- For prime retail locations the average rate is at € 140 to 180/sq. meters, while the pre-tax yield is currently at 6.2 to 7%.
- There is also a trend in Athens towards shopping malls and a lot of emphasis has been placed on the shopping center concept.
 - There is currently one only major shopping mall in operation with extremely successful operations.
 - There are another four projects currently being completed.

Publicly Owned Real Estate

- Public companies are becoming major market players.
- Although the tracing and registration of owned properties have not been fully completed, the numbers thus far have been encouraging.
 - The Hellenic Public Real Estate Corporation acting on behalf of the Ministry of Finance is handling over 70,000 properties that have a surface area of 3,365,000,000 sq. meters (or 831,509 acres). Approximately 20% of these properties are available for immediate development.
 - DEI, the national electricity company, owns 1.3 billion in real estate. The company controls 563,000,000 sq. meters nationwide of which 7,000 are lots of land as well as mines and 300 are buildings. The company's consultants (Credit Suisse) is currently managing DEI's portfolio for the development and exploitation of the properties.
 - OTE, the national phone company owns 2,279 plots of land with a total area of 9,250,000 sq. meters of which 15% are not in current use.
 - OSE, the national railroad company, is said to be the largest public owner of property. Recent evaluations have shown an ownership of over 3,500 plots of land with a total

surface area of 85,000,000 sq. meters, and 4,558 buildings with a total surface area of 500,000 sq. meters. The value of these is estimated at 5 billion EUR.

- The use of publicly owned property is very low and there are major efforts to increase revenue by exploiting these opportunities to the private sector.
- There is a legal framework underway for the development of these properties.
- This development will be geared towards the private sector offering leases for 25 to 30 years, joint ventures with developers and investors, management and maintenance of the properties.

Real Estate Trends in Tourism: Golf

- There is significant interest in the Golf-Tourism sector in Greece.
- In the United States there are an estimated 40 million golfers and 17,000 golf courses, which accounts for about 6% of the GDP.
- Europe has an estimated 8 million golfers playing at 6,500 golf facilities, with Britain, France, Germany and Sweden accounting for 69% of all golf courses and 67% of all registered players. The number of European golfers is growing at about 7% annually, with Norway currently the fastest-growing market.
- Although Greece currently has only five full 18-hole golf courses there are currently 30 investment plans underway, nine of which in the island of Crete. Others for new golf courses are in Halikidiki, and Massinia.
- Problems in the development of golf resorts have been in:
 - Acquiring the properties.
 - Considering that at least 600 sq. meters are needed for a golf course, available properties are owned by multiple parties
 - Usually the buying of property (at no more than € 15/sq. meters)
 - Environmental Concerns
 - Water consumption
 - Use of pesticides
- Why Greece is an attractive golf investment
 - New market with tremendous potential for growth.
 - Strong existing tourism-infrastructure.
 - Gradual elimination of bureaucracy.
 - Favorable weather conditions for year-round golf season.

Licensing

- Licensing for a golf Course is treated as a Tourist installation
- Issuing authorities include EOT (the Hellenic Tourism Organization) and the Directorate for Environmental Planning.
- The licensing procedure is a 6 step process:
 - Step 1: Preliminary Estimation and Evaluation

- Step 2: Approval of Environmental Impact Study
- Step 3: Approval of Suitability of Plot of Land
- Step 4: Approval of Architectural Study
- Step 5: Building Permit
- Step 6: Operating License

Basics of Real Estate Transactions in Greece

Dealing with a Realtor

- Commissions average 2% in the residential market. The variations in price is between 2 and 5%. For large properties or properties of special interest, commissions range between 5 and 10%.
- Market practice is for realtors to seek commission agreements with both buyer and seller, thereby receiving payment from both parties.

Engaging an Attorney

- The market price for Attorney fees in real estate transfers is approximately 2% of the sale price.
- Also, the Bar Association sets minimum fees (based on the value of the property) that begin at 1% and scale down to 0.01%.
- Attorney duties include title searches; an important role in property security as there are no title companies or title insurance in Greece

Title Search

- Performed by the attorneys at the land registries
- All information related to the property is located at the land registry
- All liens and other attached securities are recorded at the land registry otherwise considered void.
- Any securities not recorded at the time of purchase are invalid

Public Notary

- Civil Law notaries have major differences from Common Law notaries. In Greece they are trained jurists; required to have been attorneys for at least 5 years before applying to the Notary Bar for admission.
- They are considered public officers, under the supervision of the Ministry of Justice.
- All land transfers must be completed and certified by a public notary who ensures the validity of the contract by conforming the document to the requirements of the law.

Taxation

- Greece is in a transitional tax phase.
- There are two systems that are currently in force.
- The previous system, currently being phased related to sale of property that was purchased by the seller before January 1st 2006.

For the buyer:

- 9% tax on the first € 15,000
- 11% tax on the amount greater than € 15,000
- Plus 3% of the above tax

For the seller: No tax.

- The new system relates to property that was acquired by the seller on or before January 1st 2006.

For the buyer: 1% of the property value

For the seller:

- 20% of appreciation if sold within 5 years after purchase
- 10% of appreciation if sold within 5 to 15 years after purchase
- 5% of appreciation if sold within 15 to 25 years after purchase
- 0% of appreciation if sold after 25 years or more after purchase

Closing

- Parties that need to be present at closing:
 - Buyer (or represented via a power of attorney)
 - Buyer's attorney
 - Seller (or represented via a power of attorney)
 - Seller's attorney
 - Notary

Recording at the Land Registry

- Transfer is not complete until recorded
- There is a 0.475% of transfer recording fee at the land registry

Financing

- Costs for acquiring a loan
 - € 225 attorney fees
 - 0.0075% of mortgage amount mortgage recording fee at the land registry
 - € 100 miscellaneous costs
- The Basic Financing options in Greece are the following:
 - Fluctuating interest rate: This is for aggressive buyers that are willing to take a certain amount of risk in loaning. Interest rates begin at 4% and are based on the Euribor. The final interest rate varies but is at a minimum of 0.5%. Therefore, when the Euribor changes so does the interest rate of the loan. A basic advantage of this type of loan is its ability to offer full payment of the loan in advance without any penalties to the borrower. Refinancing to a stable interest rate loan is always available, but can become costly if the refinancing bank is different from the original bank.
 - Stable interest rate: This type of mortgage is ideal for conservative borrowers that seek stability in their investment. Banks offer loans with stable interest rates from 1 to 25 years thereby insuring stable payments until the end of the loan period.

However, a disadvantage is the penalties for early final payment and of course the higher interest rates than a fluctuating loan.

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