



CEE

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LEGAL MATTERS

IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS THAT SHAPE
EUROPE'S EMERGING LEGAL MARKETS

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GREECE: THE REAL ESTATE MARKET DURING THE CRISIS AND ITS REVIVAL OVER THE PAST YEARS!

By Yanos Gramatidis, Partner, and Sonia Tzavella, Senior Associate, Bahas, Gramatidis & Partners



Greece's real estate sector has always contributed significantly to the development of the nation's economy. It has to be noted that Greece is a country where home ownership rates are among the highest in Europe.

Also, real estate was traditionally considered by most Greeks as a rather safe investment. Thus, real estate is favorably affected by tourism, which is another huge sector of the Greek economy. All of these factors led to the sector's remarkable growth, which peaked in 2007.

However, during the subsequent decade-long crisis, the real estate market experienced an unprecedented decline, with prices for housing diving by almost 42% by 2018. Most Greeks turned their backs on real estate, as heavy taxes were attached to it. The most important of these is the annual Property Tax, which was introduced in 2011, among other austerity measures implemented in order for Greece to avoid bankruptcy and the withdrawal from the Eurozone. It is estimated that, during that decade, almost 280,000 Greeks rejected property inheritances, unable to pay the relevant taxes.

Fortunately, starting in 2018, the real estate market in Greece has begun to recover. More specifically, in 2019, in urban areas of Greece, house prices increased by almost 9.32%, which is substantially more than the 2.35% increase the previous year. The growth of real estate in 2019 was the highest since 2006, according to official data from the Bank of Greece. Quarter-on-quarter, house prices in urban areas were up 2.23% in the third quarter of 2019.

The revival of the real estate market was the result of many factors. Most important is the residency program introduced by the Greek State – the Greek Golden Visa Program – for non-EU citizens who acquire or rent real estate in Greece worth at least EUR 250,000. Both the investors and their family members are entitled to obtain residence permits in Greece and access free travel through the Schengen zone without physical presence in Greece being a prerequisite. The residence permits are valid for five years and can be renewed, providing that the investor retains the investment. The Greek Golden Visa program is similar to those of Spain and Portugal, but it is much more attractive due to the low minimum price of only EUR 250,000, whereas in those other countries the minimum price required is much

higher.

It is noted that, according to the Bank of Greece, there was, in 2019, a net inflow of foreign capital from investors of approximately EUR 1.5 billion – an increase of 28.5% over the year before. Most of this inflow was invested in housing properties, either in the center of Athens and the southern suburbs, or at popular tourist destinations (such as Crete, the Ionian and Aegean islands, and the Peloponnese).



Another factor that has helped revive the real estate market in Greece is the three-year suspension of VAT payments on new building permits and unsold properties built after 2006. Moreover, the reduction of Property Tax – the so-called “ENFIA” – has also contributed to the growth of the real estate market. In 2019, the ENFIA for individuals was reduced 30% for properties valued up to EUR 60,000, 27% for properties valued up to EUR 70,000, 25% for properties valued up to EUR 80,000, 20% for properties valued up to EUR 1.0 million, and 10% for properties valued at more than EUR 1.0 million. Another reduction of approximately 10% that will apply to all property owners from the year 2021 has been announced, although it remains to be seen if it will finally be implemented due to the COVID-19 pandemic and current financial crisis.

At the moment, and despite the pandemic, housing prices in Greece – especially in Athens – remain stable, with most involved parties believing that when normality recovers, the real estate market will continue to drive growth.

It is estimated that large property investments which take place in Greece currently, like Hellinikon, Athens Riviera, Tatoi, *etc.*, will help not only to recover the losses sustained by the COVID-19 pandemic crisis, but also will boost the real estate market to levels even higher than in 2019. In addition, it has to be noted that Greece's exemplary handling of the COVID-19 crisis has created a positive image of the country in the international media and investors are expected to come in the post COVID-19 period.

Bahas, Gramatidis & Partners Law Firm is heavily experienced in both legal and tax elements of Real Estate matters. Feel free to contact us for more details. ■