

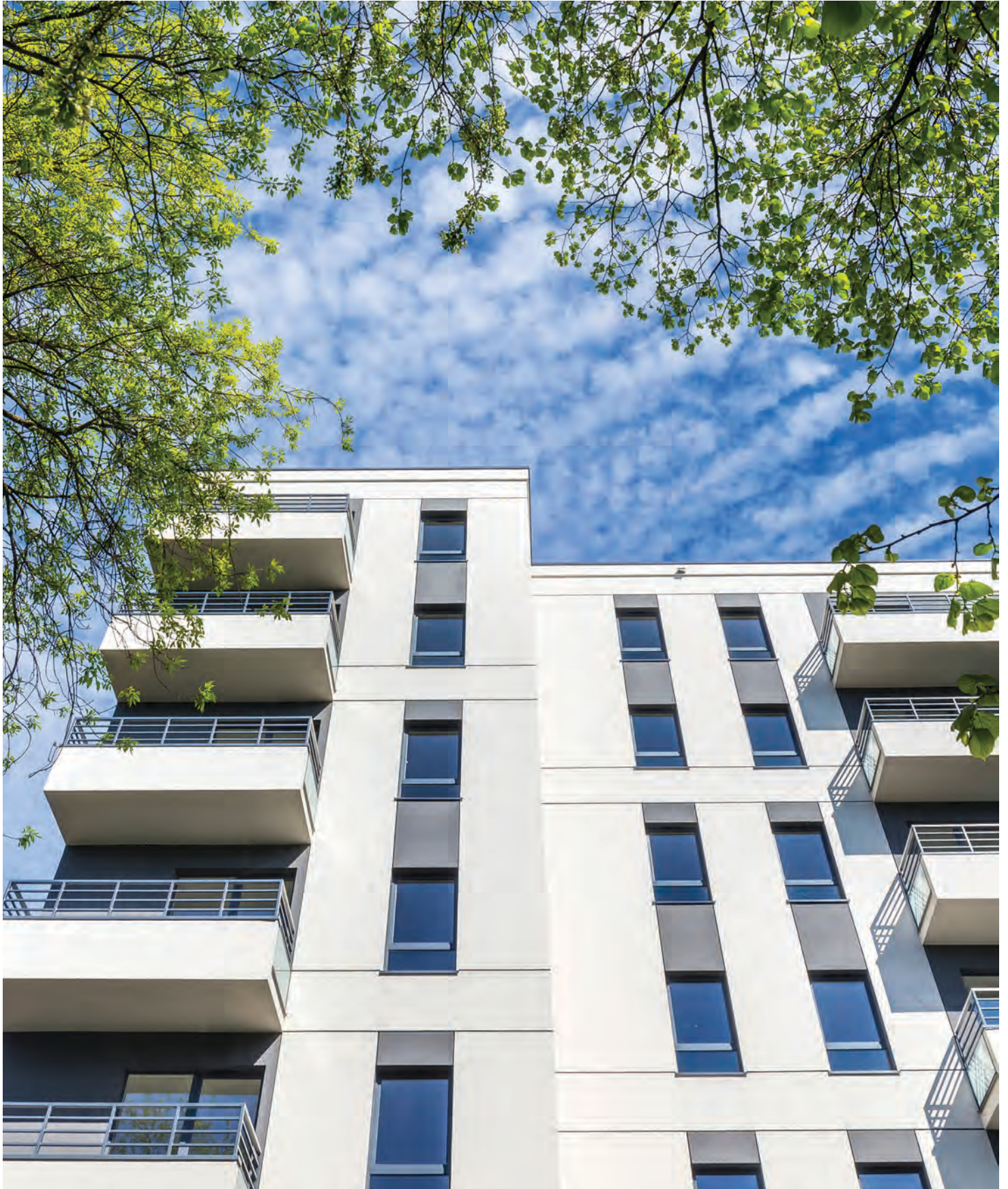


SPOTLIGHT

Savills Greece Research

Athens Residential Market

KENTRIKI





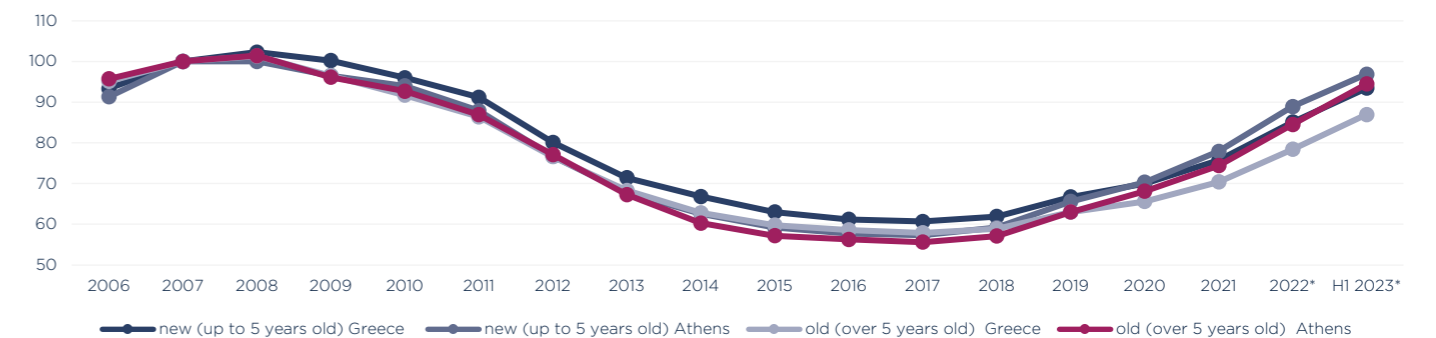
Overview

Despite the economic difficulties, particularly during the Covid-19 crisis and the subsequent European energy crisis, a dynamic surge of the Greek economy is being recorded. The significant GDP growth which is expected to continue at least until 2026, is an indicator of productivity, reflecting noteworthy changes in the micro-economy, employment and real household income. Moreover, the accumulating investment projects (the largest net FDI inflows since 2002 recorded in 2022) confirm the upward trajectory of the Greek economy and the successful effort made in recent years to attract foreign investment to the country. It is noted however that this economic growth seems to be coming at a smaller pace in recent years, mainly due to high energy prices that limit real income and private spending, higher funding costs and the recession across the euro area, offsetting some of the observed strength.

and the adverse effects on borrowing costs, energy, materials and construction in general. Consistently positive expectations for the market and undiminished investment interest, especially from abroad, maintained the high growth rates of residential real estate prices, especially in highly commercialized areas. The above is reflected in the evolution of residential real estate prices which already from the first half of 2023 seem to be reaching pre-crisis levels. It is worth noting that for 2023 (latest published data concerning H1 of 2023) prices for properties constructed more than 5 years ago have increased by 10.9% (compared to 11.4% in 2022) while new-built property prices by 9.8% (12.4% in 2022). This reversal in the growth rates of new-built and older properties could indicate that prices of new-built properties have started to reach a plateau, but can also be attributed to various state incentives related to the upgrading of older properties, leading buyers to turn to this category, further contributing to the increase in their prices.

According to the latest report of the Bank of Greece, 2022 was a year of significant growth for the Greek real estate market, despite the turmoil caused by the war in Ukraine

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

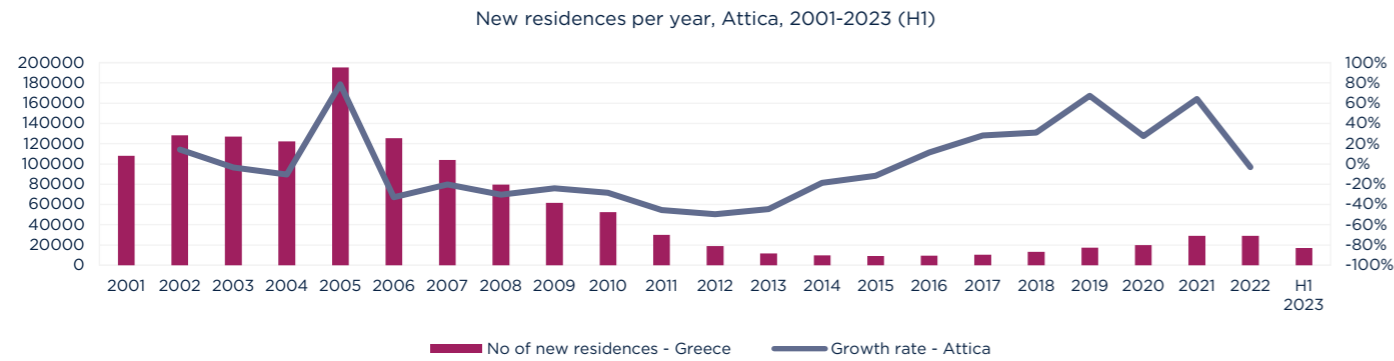


Source: Bank of Greece

Construction & Residential Activity

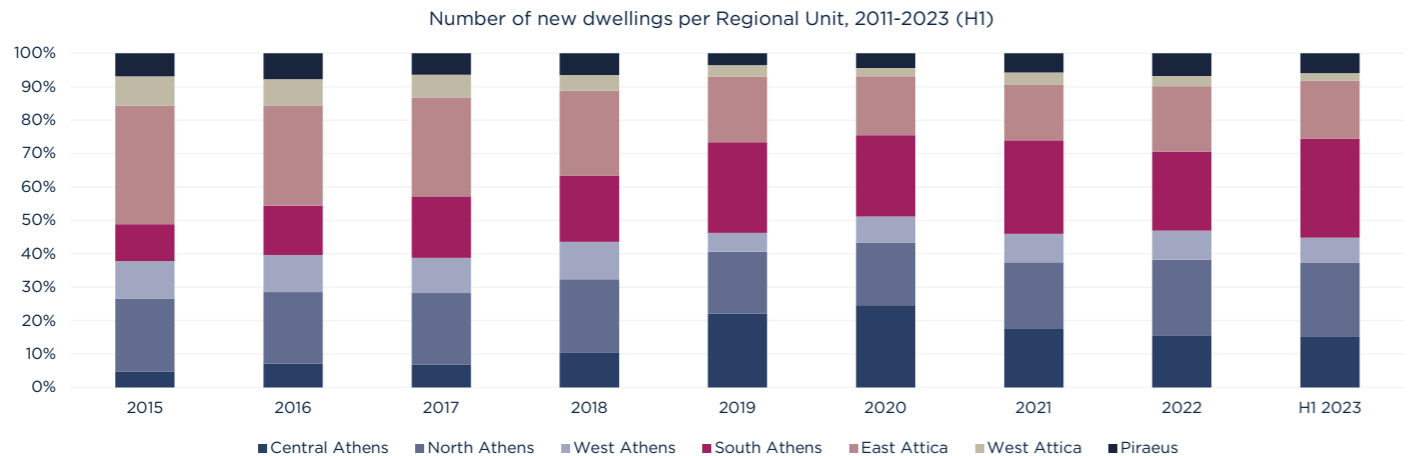
2021 seems to have been the peak of the construction activity of recent years as shown by the number of permits issued annually across the country. In the wake of issues mainly related to increased construction costs, in 2022 the number of building permits maintained the 2021 levels at the country level, with Attica showing a marginal increase. Regarding new-built residences added to the stock, preliminary data for 2023 (H1) showcase

that 2023 will exceed 2021 numbers, becoming the best year of the period 2015-2023. This is also reflected in the positive business expectations for housing construction, which further strengthened in 2022 to an annualized 4.0% (Foundation for Economic & Industrial Research), despite the pressures exerted by the constant increase on the prices of building materials.



Source: Hellenic Statistics Authority

The majority of the construction activity for H1 2023 is found in the southern part of Attica, with the rest of the region showing stability or marginal decreases compared to the previous year. The ever-increasing rate of new housing development (with a momentary freeze in 2022, likely due to steep increases in construction costs) reveals the area's dynamism, but also the lack of land for new constructions (to a greater extent than in Central Athens). In addition, it is linked with the steady demand from foreign buyers due to the proximity to the seafront, the city center and the airport, as well as the higher quality of leisure activities and retail offering (compared to North Athens).



Source: Hellenic Statistics Authority

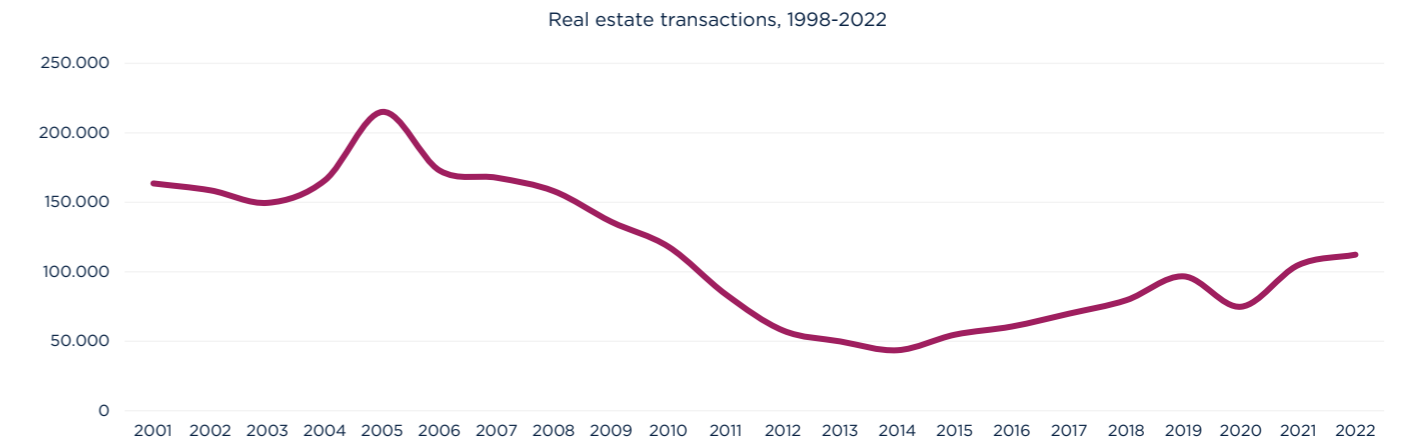
Market Activity

The dynamics of the residential real estate market in 2022 strengthened significantly, mainly due to strong tourism and external investment demand, which positively affects housing mainly through short-term rentals, as reflected in the inflow of capital from abroad for real estate purchases (BoG, 2022). Based on the latest published data as well as the benchmarks of the Bank of Greece, real estate transactions in 2022 increased (albeit at a reduced rate) by 7% compared to the previous year with residential sales amounting to c. 45,000 (country level).

The above are inextricably linked to the granting of housing loans. Thus, in 2022 the total amount of new mortgages increased by 20.7%, although it remains at low levels compared to pre-financial crisis levels and at a reduced rate

compared to 2021. Also, according to the Q3 2022 data of the Bank Lending Survey, a decline in mortgage demand is recorded for the third quarter in a row, after two years of continuous growth in demand, possibly due to rising mortgage rates.

Thus, the arrest of the rise in mortgage interest rates that has already begun (Euribor) is expected to give further impetus to market activity. It is worth noting that besides the large EU capital and foreign direct investment already oriented towards the country, the Greek Ministry of Finance has also made progress in reducing banks' non-performing loans (which allows them more freedom to lend), thus further improving the prospects for increased investment.



Source: Hellenic Statistics Authority

Demand

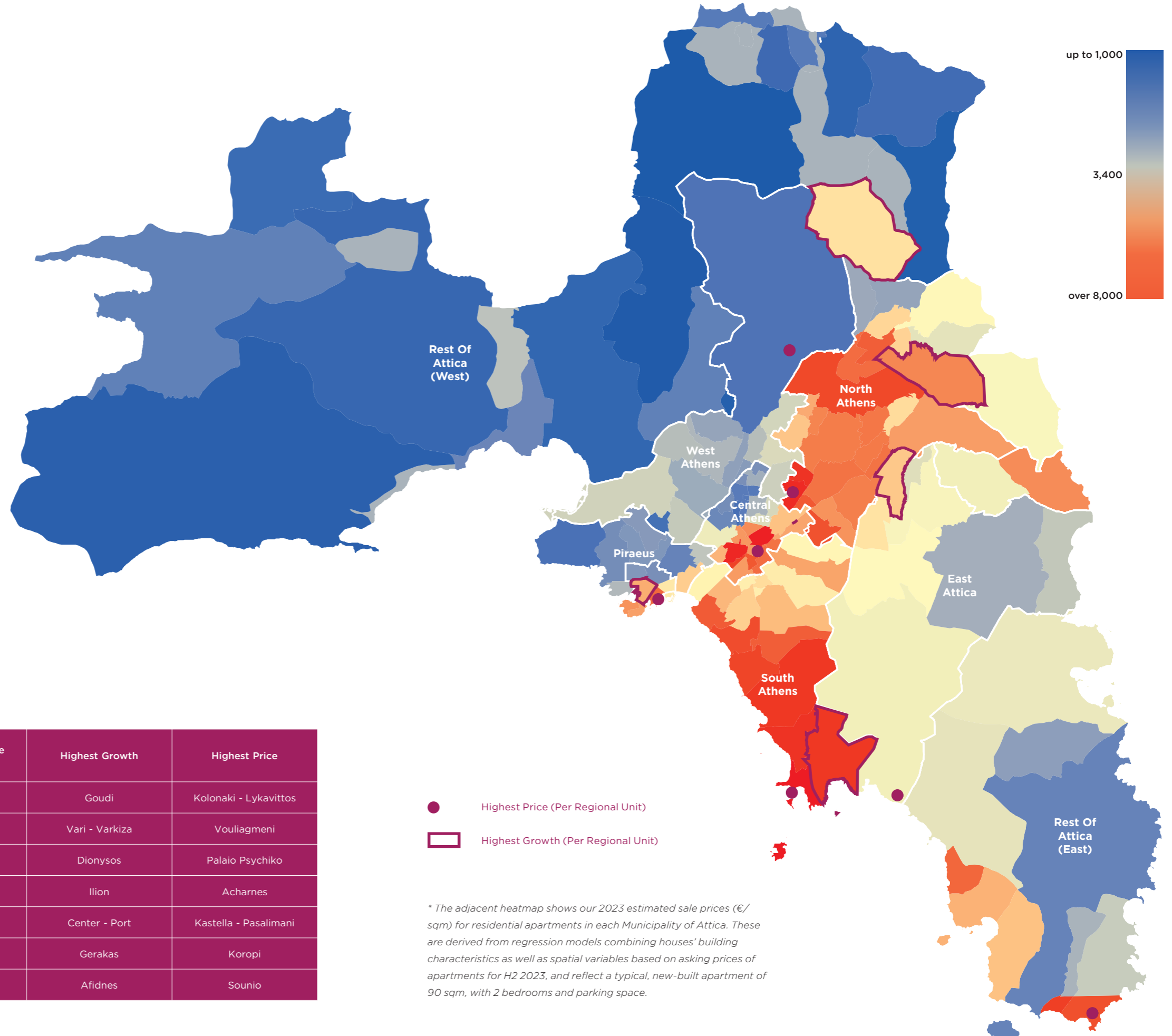
Parameters such as the recovery of the economic activity, the high investment interest (mainly from abroad), the increased tourist activity, the possibility of greater financing from the banking sector, but also the fact that Greek real estate prices remain lower compared to corresponding European markets, shape the context of increased demand in Attica. Following a demand analysis in terms of the number of "clicks" on relevant listings for sale, the south suburbs appear to be the most popular area among prospective buyers, followed by the center and the north suburbs, making demand a major driver of house prices. It is worth noting that the purchasing interest throughout Attica is basically focused on apartments, with the exception of the coastal part of Athens and the north suburbs furthest from the city center, where buyers are interested in detached residences. In terms of apartments, demand focuses mainly in the 2-bedroom typology, with the exception of the north suburbs an area that traditionally appeals to families, where demand for 3-bedroom units dominates.

Pricing

The confluence of factors such as the city's cultural richness, historical significance, and vibrant atmosphere has positioned Athens as a favored destination among tourists. This, coupled with the evolving landscape of short-term rentals and a growing influx of investors, has reshaped the residential property market in the Greek capital with residential property prices in Athens witnessing a notable surge, outpacing the broader trend observed across Greece. As a result, homeowners and investors alike are experiencing a notable uplift in property values, marking Athens as a dynamic and promising real estate market in the current landscape.

Compared to Savills previous analysis' results regarding residential prices 2 years ago (post Covid-19 era), significant increases are recorded in almost all of Attica at a rate of approximately 25% on average, with the highest growth recorded in Piraeus. At the same time, the slowdown in construction activity recorded is estimated to have contributed, and will continue to contribute, to further strengthening of prices, as the demand for high-end properties is not sufficiently covered by the existing market supply.

As can be seen from the map, the highest values per sqm are found in the south suburbs (mainly in the southernmost areas where prices gradually increase as proximity to the sea heightens), followed by the center of Athens (particularly around the historic center) and the north suburbs. It is apparent that in terms of location, the characteristics that create a premium are the proximity to the sea for the south suburbs, abundance of large open green spaces for the north suburbs and proximity to the CBD and/or Acropolis and other attractions for the City Centre. We can also observe that characteristics such as low population density, low building heights and low building density are also common between the north and south suburbs which constitute the majority of the prime residential market of Athens.



Regional Unit	Average Growth range	Average Price range (€/sqm)	Highest Growth	Highest Price
Central Athens	17,5-37,5%	2,850 - 5,000	Goudi	Kolonaki - Lykavittos
South Athens	10-32,5%	3,600 - 6,000	Vari - Varkiza	Vouliagmeni
North Athens	13-23%	3,200 - 5,000	Dionysos	Palaio Psychiko
West Athens	20-25%	2,250 - 3,200	Ilion	Acharnes
Piraeus	23-40%	2,650 - 3,900	Center - Port	Kastella - Pasalimani
East Attica	27,5-32,5%	2,550 - 3,400	Gerakas	Koropi
Rest of Attica	20-40%	2,050 - 4,000	Afidnes	Sounio

* The adjacent heatmap shows our 2023 estimated sale prices (€/sqm) for residential apartments in each Municipality of Attica. These are derived from regression models combining houses' building characteristics as well as spatial variables based on asking prices of apartments for H2 2023, and reflect a typical, new-built apartment of 90 sqm, with 2 bedrooms and parking space.



Investment Activity

Besides recent European and global economic and geopolitical uncertainties, the market is still relatively resilient as evidenced by the annual growth rate of residential prices and steady demand levels. Moreover, an impressive increase of 68% in Foreign Direct Investments was noted in 2022 compared to 2021 (c. € 2 billion), which translates to a growth of 125% compared to 2019, with much of this capital going straight into real estate activities. Additionally, approx. € 1.1 billion have already been invested in the real estate sector in the 1st half of 2023.

The dynamics of the residential market is reflected in the investments in housing (ELSTAT) which recorded a 48.4% increase in the first quarter of 2023 on an annual basis (36.1% in 2022 and 27.3% in 2021), but are still at a low level as a percentage of GDP (2.0%) (Bank of Greece). Based on the data collected by the Bank of Greece, in 2022 significant investments were made by Real Estate Investment Corporations (REICs), and development companies in institutional residential projects, with the largest percentage of funds directed to Attica.

More specifically, institutional residential products such as Purpose-Built Student Accommodation (PBSA) and Built-to-Rent (BtR), have been on the radar of REICs, private equity funds and family offices, in the last two years. Thus, an increase of developments of such assets is observed, mostly in central locations of Athens where the demand for housing either from students or young professionals is constantly

increasing. Areas that are in proximity to universities or enjoy good connectivity via the public transport system (e.g. Zografou, Neos Kosmos and Piraeus) are at the forefront of interest by investors looking to diversify their portfolios, with the capital invested ranging at € 5 mil per asset. Up to now, more than € 650 mil of investments focused on PBSA have occurred all over the country, with a big majority originating from cooperations of private investment companies with the public sector.

Furthermore, the reduction of non-performing loans, but also the expectation of resilience of the Greek economy despite the deterioration of the economic outlook for the Eurozone in recent months (the Greek economy has performed better than the European average in the last two years), reflect the positive outlook given by international rating agencies to Greece's credit rating. Thus, the upgrade to the investment grade is expected to further attract more private investments (Bank of America). Recent studies showcase that there has been growth in investment willingness in Greece in recent years (from 28% in 2020 to 37% in 2022), while a substantial 75% of potential investors anticipate an improvement in the attractiveness of the country over the next three years. This optimistic outlook positions Greece in the top spot among the countries being compared, surpassing the overall attractiveness of Europe as a whole.

Rental Market

Similarly to sales prices, residential property rents are on the rise, recording an average increase of 22% compared to 2022. The largest increases are found in Piraeus and its surrounding areas (where the largest sale price increases are also noted), which could be linked to various regeneration projects in the area. At a lower spatial level of analysis, the largest rent increases are found in areas with medium sales prices/sq.m. but also in areas where new metro stations have been announced.

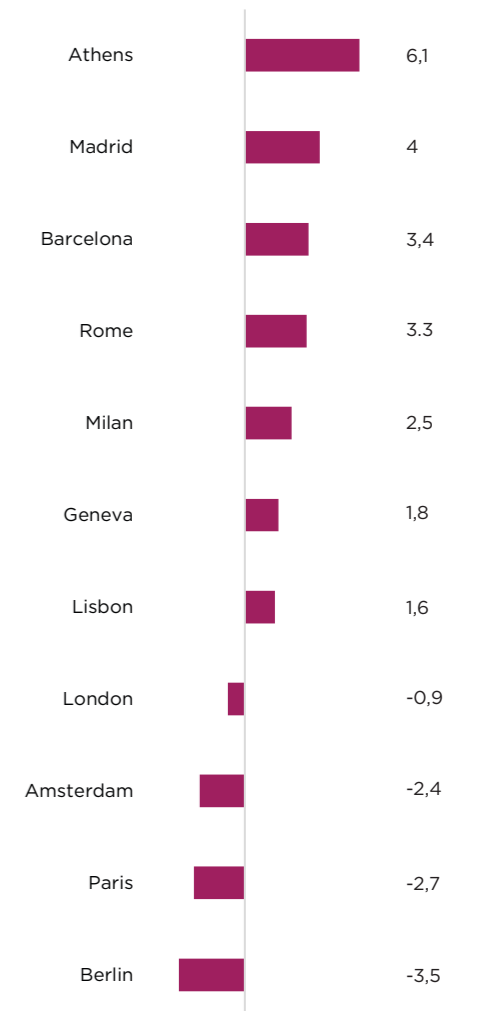
It is worth noting that in most cases the rental growth levels are lower or marginally lower than the corresponding sale price ones. This is likely connected to the sharp increase in construction costs which appears to be having a slower impact on rental prices.

Prime Residential

Despite economic difficulties and uncertainties Athens prime residential market has shown remarkable resilience. Compared to other southern European capitals, the city experienced the highest growth in prime residential prices, soaring by 6.1% over the year, with Madrid and Rome capital values (who also demonstrated strong performance) surging by 4.0% and 3.3% respectively.

This trend is indissolubly linked to the limited stock of prime properties in the Greek market (which further bolstered pricing increases), but also their comparatively lower prices than other European counterparts, thus attracting buyers and investors from across the globe.

Prime Residential Growth 2023



Trends & Challenges

- **Neighbourhood Revitalization:**

Urban regeneration efforts currently in progress in (mostly) central areas of the city, along with large scale mixed-use development projects (e.g. The Ellinikon project), and infrastructure works mostly concerning connectivity (construction of new subway lines stretching to new parts of the metropolitan area) are heavily contributing to the attractiveness of certain locations and the transformation of the residential real estate market, impacting on the growth of demand and property prices in these areas

- **Short-Term Rental Boom:**

There has been a significant increase in the number of properties available for short-term rental in areas of the country with intense tourist activity (320% increase compared to 2016), most of which are located in Athens, especially around the city center and along the Athens Riviera. It is noted that both Foreign Direct Investment and the number of corresponding available properties showcase parallel (rapid) growth in the last decade. According to the European Commission, a significant percentage of properties rented through short-term rental platforms have been purchased for this purpose, which is indicative of the investment interest.

- **Modernization and Renovation:**

During the last couple of years, due to the shortage of available plots for development in focal areas for investors, a trend of repurposing old residential and commercial buildings into student accommodation units or serviced apartments has emerged and relevant investments have witnessed a drastic increase from 2021 onwards. Recent examples concern old residential buildings located in key areas that have been transformed into boutique PBSA schemes, offering 20 -25 units each (mainly owned by private equity funds that are active in the market since 2018) and old office buildings closer to the CBD, repositioned to BtR schemes aimed at young professionals and students.

- **Government Initiatives and Regulations:**

Recent government initiatives and regulatory changes are also impacting the residential sector. The 24% VAT

imposed on first sales of new-built properties to non-primary-home buyers in 2006 was suspended in 2020 to boost the construction sector, leading to a surge in off-plan sales, with most prime new-built properties now sold before completion. The VAT suspension's success has prompted an extension until at least the end of 2024, and possibly beyond. Moreover, in the context of social housing, a new program is about to be established concerning the allocation of plots by the state to developers, with the sole obligation to lease a percentage of the houses that will be built at low rent levels, while the remaining houses will be sold on free market terms. The plots that will be offered are located in prime areas of Athens (mainly in the north suburbs) and are expected to further boost construction activity and house prices. Furthermore, due to various economic structural reforms and tax incentives, property transaction costs in total are significantly lower than other EU countries (suspension of VAT on acquisition, low Transfer Tax at 3%, suspension of Capital Gains Tax from properties etc.).

The pandemic had direct effects on the supply chain, bringing about an increase in transportation fees and the prices of building materials, with simultaneous shortages of materials. Besides, the Russia-Ukraine war caused an increase in energy costs, keeping inflation at high levels, as well as an increase in mortgage lending rates. Furthermore, the economic and business impact of the rapidly evolving situation in Gaza is too early to assess. Despite these uncertainties in the domestic and global economy, expectations for the Greek real estate market remain positive. Considering that the Greek market is differentiated in terms of its characteristics, that the rates of price growth have been milder in recent years compared to other countries and that yields are still at attractive levels, residential properties (especially high-end) are expected to continue to attract increased interest. However, the impact of parameters such as geopolitical stability and the international economic environment is expected to be significant, directly or indirectly affecting real estate through construction costs, mortgage interest rates, and investments.



Savills Hellas

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