

Greece

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IN A NUTSHELL

- Real GDP² grew by 5.9%, against 8.4% in 2021.
- House prices continued to rise at an accelerated pace; the price of apartments rose by 11.7%, against 7.6% in 2021.
- In the commercial property segment, prime retail rose by 5.0%, against 2.5% in 2021 and prime offices by 2.6% (1.7% in 2021).
- The total stock of outstanding housing loans declined by 3.6% in 2022 (-3.0% in 2021), a rate which in March 2023 remained almost unchanged (-3.7%).

MACROECONOMIC OVERVIEW

2022 has been a year of increased uncertainty, due to the war in Ukraine, the sharp rise in inflation, energy price hikes and the disturbances in the supply of goods, energy and technology products. However, following a strong recovery in 2021 (8.4%) – offsetting almost entirely the sharp decline due to the pandemic in 2020 (-9.0%) – economic activity maintained its growth but at a slower pace, with real GDP rising on average by 5.9%, outpacing pre-pandemic levels (+4.0% compared to 2019).

The main drivers of economic growth were private consumption, investment, exports of services and the tourist sector. In particular, growth rates in real terms were 7.8% in private consumption, 11.7% in gross fixed capital formation and 9.9% in exports of services. The decline in government consumption (-1.6%) and the increase in imports (11.2%) weighed on GDP growth. In Q1 2023, GDP (seasonally adjusted) continued to increase by 2.1%, y-o-y, although at a decelerating pace, mainly driven by the growth in exports of goods and services (8.9%), gross fixed capital formation (8.2%) and private consumption (2.9%).

Foreign direct investment inflows increased significantly, reaching a 20-year high. Other factors that had a positive effect in the economy were the strong performance of the tourist sector,³ employment growth and the financing of investment projects through the NGEU. The fiscal support measures to mitigate the impact of the pandemic and the energy crisis on households and businesses also contributed to the positive performance of the economy.

The economic outlook remains positive, despite continued uncertainty. According to Bank of Greece estimates,⁴ real GDP is projected to continue growing in 2023 although at a slower growth rate of approximately 2.2%, due to a slowdown in economic activity in the euro area, affecting export growth and a significant deceleration of private consumption growth. On the other hand, investment

and the positive outlook for the tourism sector will continue to make a positive contribution to growth.

Residential investment (ELSTAT, non-seasonally adjusted data at constant prices) accelerated further by 36.1% in 2022 (2021: 27.3% and 19.0% in 2020), whereas investment in total construction, accelerated also for a third consecutive year but at a slower pace compared to residential (2022: 25.7%, 2021: 15.1%, 2020: 4.5%). The difference was mainly due to investment in “other” construction (non-residential construction and civil engineering) which grew by 21.5% in 2022, 10.8% in 2021 and only marginally in 2020 (0.1%).

In 2022, labour market developments remained favourable, and the unemployment rate declined. According to ELSTAT - Labour Force Survey, employment (non-seasonally adjusted data) increased by 5.4% against 1.4% in 2021 (-0.9% in 2020). In particular, employment followed a similar trend to economic activity and improved during the first half of 2022 mainly due to the significant economic growth of H1 2022, whilst in the second half there was a slowdown in its growth rate. The unemployment rate, although declining steadily and significantly in the recent years (12.4% in 2022 against 14.7% in 2021, 16.3% in 2020 and 17.3% in 2019) remains high compared to the European average. Long-term unemployment (12 months and above) decreased to 61.9% of the unemployed compared to 62.6% in 2021 (66.5% in 2020).

Following marginal positive HICP inflation (ELSTAT data) in 2021, stood on average at 0.6%, inflation accelerated significantly in 2022, posting rates that has not been seen since 1995, with average HICP inflation standing at 9.3% mainly due to steep rises in energy prices but also to large increases in food prices. The conflict in Ukraine and pandemic-related supply-chain backlogs and shortages also had an impact on these rising inflationary pressures. Core inflation (inflation excluding food and energy prices) has also increased, albeit to a lesser extent. In particular, inflationary pressures intensified during Q2 and Q3 of 2022 and eased in Q4 2022 and Q1 2023. HICP inflation continued to decelerate during the four months of 2023 (4.5% in April 2023 down from 5.4% in March 2023), mainly due to the significant decline in energy prices, although core inflation retained its upward pressures (during the 4-month period of 2023 stood at 8.2% on average). In 2023, inflation pressures will ease as energy and food prices are expected to moderate.

According to the Bank of Greece data, during the period 2017-2019, foreign direct investment (FDI) rose significantly (2019: EUR 4.5 bn, 2018: EUR 3.4 bn and 2017: EUR 3.1 bn) and the real estate - for property purchasing - contribution was strong, especially in the years 2019 and 2018 (32.3% in 2019 and 33.5% in 2018, against 13.4% in 2017). In 2020, due to the pandemic, FDI reduced (EUR 2.8 bn), however the real estate contribution remained strong (31.1%). In 2021, FDI rebounded and amounted to EUR 5.4 bn, exceeding net capital

¹ The views expressed are solely those of the author and should not be interpreted as reflecting the views of the Bank of Greece.

² Hellenic Statistical Authority (ELSTAT): non-seasonally adjusted data at constant prices.

³ Bank of Greece: Border Survey. In 2022, tourism activity almost rebounded compared to 2019 (revenues amounted to EUR 18 bn) at approximately by 97%. Revenues generated by tourism activity increased significantly in 2021 and amounted approximately EUR 11 bn, against EUR 4 bn in 2020 due to the global spread of the disease and the restrictive measures implemented by most countries.

⁴ Bank of Greece: Governor's Annual Report 2022/07.04.2023.

inflows levels of 2019, and were mainly directed towards the manufacturing and sectors such as financial intermediation and real estate. In 2022, FDI grew further and amounted to EUR 7.2 bn, mainly directed towards the same sectors as in 2021. In Q1 2023, FDI was EUR 1.0 bn, mainly in real estate.

The government had a primary surplus of 0.1% of GDP, improving from a deficit of 4.7% of GDP in 2021, largely due to economic growth and higher inflation. The general government debt decreased to 171.3% of GDP, down from 194.6% in 2021, due to the denominator effect. According to the 2023 Stability Programme, the general government primary balance is projected to improve further in 2023 at a surplus of 1.1% of GDP and general government debt is expected to drop to 162.6% of GDP on the back of the economic growth, the unwinding of energy measures and increased inflation.

HOUSING MARKETS

Investment in the real estate market exceeded expectations. There was significant growth relative to previous years occurred in both house and commercial property prices (prime office and retail), mostly in prime locations, which stemmed, especially in the residential market, mainly from external investment demand and tourism. However, in the light of the existing international economic uncertainty, the war in Ukraine, persistent inflation and the adverse effects on the costs of borrowing, energy, materials and construction in general, there remain uncertainties that may affect investment interest and growth prospects.

According to the Bank of Greece apartment price index prices continued to grow, for a fifth consecutive year, at an accelerated rate compared to previous years. Based on Bank of Greece residential data (valuations) collected by credit institutions, at a country level, nominal apartment prices increased on average by 11.7%, against 7.6% in 2021 (4.5% in 2020, 7.2% in 2019 and 1.8% in 2018). More specifically, in 2022 there was a gradual acceleration of the annual rate of price increase (10.0%, 10.7%, 12.4% and 13.5% in first, second, third and fourth quarter, respectively). By age distinction, the prices of the new apartments (up to 5 years old) increased at an annual rate of 12.2%, compared to 11.3% for old (over 5 years old) apartments. The highest annual growth rates in apartment prices were in Athens (13.7%) and Thessaloniki (12.5%). More moderate annual growth rates were recorded in other cities and in semi-urban and rural areas (10.6% and 7.9%, respectively). In Q1 2023, an accelerated growth rate was recorded in housing property prices (14.5% y-o-y), mainly driven by the strong growth rates of Athens and Thessaloniki area (16.5% and 16.1%, y-o-y, respectively). By age distinction, the prices of the old apartments increased significantly at an annual rate of 15.6%, compared to new apartments (12.8%, y-o-y).

The positive trend of the housing market in recent years strengthened significantly in 2022, mainly due to strong foreign investor demand, and tourism, which favourably affects houses mostly through short-term leases as well as the positive developments of the Golden Visa Programme.⁵ Net foreign direct investment in Greece for real estate property purchases (Bank of Greece data),

increased by 68.0% (net amounts: EUR 2.0 bn in 2022 from EUR 1.2 bn in 2021).⁶ In Q1 2023, net foreign direct investment in Greek real estate was EUR 497 mn, compared to EUR 374 mn in Q1 2022, recording a 32.9% increase. Housing investment (ELSTAT data, non-seasonally adjusted at constant prices) rose by 36.1% in 2022 (27.3% in 2021), whereas it remains low as a percentage of GDP (1.7% against 1.3% in 2021). In Q1 2023, residential investment grew further (48.4%, y-o-y), accounting for 2.0% of GDP.

Positive expectations in the house construction sector (Foundation for Economic & Industrial Research data) strengthened by 4.0% and continue to improve in the first five months of 2023 (13.8%). However, the positive trend in residential construction halted in 2022, after five consecutive years of strong growth with a decrease in the volume of new building permits (in cubic meters) of 3.2% y-o-y, although remained unchanged in the number of permits. In the Athens area the decreases were higher (-10.0% and -3.2% y-o-y, respectively). In the first two months of 2023, construction activity in dwellings increased nationally, in terms of cubic meters by 6.8%, y-o-y, while in the region of Athens, the increase was slightly higher (19.3%, y-o-y). The cost of construction of new residential buildings (ELSTAT data) for 2022 increased by 8.8% (3.2% in 2021). In Q1 2023, it increased further by 8.1%, y-o-y.

There was a strong rebound in real estate transactions⁷ in 2021 (104,746 transactions) by 40.1% against a decrease on average by 22.6% in 2020 (74,769 transactions), mainly due to the pandemic and after five consecutive years of increases. Due to the strong dynamics in Greek real estate market a further enhancement on the number of real estate transactions is expected in 2022.

The outlook remains positive, despite uncertainties surrounding the domestic and the global economy, such as the war in Ukraine and broader geopolitical uncertainty, increased energy and material costs, the rise in lending rates and financing, higher-than-expected inflation, the worsen of the house affordability and other housing costs as well as the continues changes in legislation and taxation.

MORTGAGE MARKETS

The total stock of housing loans outstanding continued to decline, by 3.6% in 2022 (-3.0% in 2021 and -2.7% in 2020) a rate which remained unchanged in March 2023 (-3.7%). In 2022, the average amount of new mortgages, including renovation loans, was EUR 78,812, higher than in 2021 (EUR 73,157) and the average loan-to-value ratio for new mortgage loans stood at 62.9% (63.7% in 2021).⁸ The total amount of new housing loans, although still at low levels, increased in 2022 by 20.7%, but at a much slower pace than in 2021 (46.2%). In Q1 2023, the total amount of new housing loans increased slightly by 2.6%, y-o-y, marking a significant slowdown compared to Q1 2022 (69.6%).

Bank interest rates on new and outstanding housing loans increased further up to March 2023 compared with the average rate for 2022. In particular, rates on new housing loans (including charges) in March 2023 were 4.4% against 3.5% on average in 2022 and 3.1% in 2021, whereas the corresponding rate

⁵ Permanent residency permit for non-European residents by investing EUR 250 td and above in real estate in Greece. In September 2022, the Greek government announced new adjustments in the Golden Visa Programme, which would increase the investment threshold to EUR 500 for specific areas in Greece as well as any new investment will concern a single property purchase. The decision was issued under the authorization of article 92 of Law 5007/2022 and with effective May 1st, 2023. The effective date postponed to August 1st 2023 under Law 5038/2023.

⁶ Real estate remains a significant beneficiary of foreign direct investment, 27.4% of the total for 2022 and 22.0% for 2021, compared to 31.1% for 2020 and to 32.3% for 2019. The main countries of origin for 2022 were Hong Kong, China and United State.

⁷ Source: ELSTAT. Annual data collected by notaries throughout the country; including all real estate categories of residential and commercial properties (dwellings, retail, offices, building plots, etc). Latest available data: 2021.

⁸ Bank of Greece: Executive Summary of the Financial Stability Review – May 2023.

on outstanding housing loans with an initial maturity of over 5 years stood at 4.3% (2.4% on average in 2022 and 2.0% in 2021). Mortgages with floating rate used to be the most common product, but since 2020, mortgages with a fixed rate have become increasingly popular and in 2022 accounted for 55.6% of new housing loans, against 43.5% in 2021.

According to the latest available data of the Bank Lending Survey for Greece (Q1 2023), credit standards for loans to households remained stable for all categories of loans since a moderate tightening in Q3 2019. The terms and conditions for all types of loans eased somewhat compared to Q4 2022, mainly due to lower non-interest rate charges. The proportion of rejected loan applications to housing loans somewhat increased in both Q3 2022 as well as Q4 2022 and it decreased to a small extent in Q1 2023 compared with the previous quarter. The demand for housing loans weakened for the fourth consecutive quarter, after two years of increasing demand, possibly due to high lending interest rates and reduced consumer confidence although expectations regarding housing market prospects contributed positively. For Q2 2023, banks expect that the credit standards as well as the demand for housing loans to households will remain almost unchanged.

MORTGAGE FUNDING

During the 12-month period (April 2022–March 2023) deposits placed by the private sector increased by EUR 8.4 bn, at a slower pace compared to the corresponding period of the previous two years (from EUR 11.5 bn during April 21 – March 22 and EUR 20 bn the year before). Households' deposits, grew annually by 3.6% in March 2023. During the 12-month period (April 2022–March 2023) deposits placed by households increased by EUR 5.4 bn against an increase amounted to EUR 6.5 bn during the corresponding period of previous year and EUR 11 bn during the corresponding period two years ago. Since October 2021, households and private non-profit institutions deposit growth has been slowing, as the postponed consumer spending, following the easing of most pandemic restrictions, has been already carried out, pandemic-related support measures have been withdrawn and food and energy prices have risen significantly.

The nominal value outstanding of covered bonds issued by Greek banks declined from EUR 10.8 bn in December 2021 to EUR 10.1 bn in December 2022, as redemptions amounted to EUR 700 mn and there were no issuances of such bonds by Greek Banks during this year. In 2022, Greek banks issued unsecured and subordinated bonds, mostly the senior preferred and Tier 2 types. As a consequence, the nominal value outstanding of unsecured and subordinated bonds increased from EUR 6.9 bn at the end of December 2021 to EUR 9.4 bn at the end of December 2022.

Central Bank funding of Greek banks decreased from EUR 50.8 bn in December 2021 to EUR 35.4 bn in December 2022. The reduction stemmed mainly from repayments and redemptions in the context of the third series of targeted longer-term refinancing operations (TLTRO-III).

	GREECE 2021	GREECE 2022	EU 27 2022
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	8.4	5.9	3.5
Unemployment Rate (LSF), annual average (%) (1)	14.7	12.5	6.2
HICP inflation (%) (1)	0.6	9.3	9.2
HOUSING MARKET			
Owner occupation rate (%) (1)	73.3	72.8	69.1
Gross Fixed Investment in Housing (annual change)(1)	27.3	36.1	1.5
Building Permits (2015=100) (2)	214.1	212.1	125.8
House Price Index – country (2015=100) (2)	118.5	132.4	164.6*
House Price Index – capital (2015=100) (2)	130.5	148.5	163.8*
Nominal house price growth (%) (2)	7.3	11.7	10.6*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	30,891	29,753	6,743,197
Outstanding Residential Loans per capita over 18 (EUR) (2)	3,494	3,416	18,433
Outstanding Residential Loans to disposable income ratio (%) (2)	24.3	21.4	71.5
Gross residential lending, annual growth (%) (2)	52.0	24.7	-6.5
Typical mortgage rate, annual average (%) (2)	2.8	3.1	3.1

*Please note that this value is the simple average of the available values in 2022.

Sources:

(1) Eurostat

(2) European Mortgage Federation – Hypostat 2023, Statistical Tables.



GREECE FACT TABLE

Which entities can issue mortgage loans in your country?	All credit institutions authorised in Greece under the Law 4261/2014, Directive 2013/36/EU.
What is the market share of new mortgage issuances between these entities?	Confidential information
Which entities hold what proportion of outstanding mortgage loans in your country?	Confidential information
What is the typical LTV ratio on residential mortgage loans in your country?	According to the Financial Stability Review (May 2023) the LTV ratio for new mortgage loans in 2022 was 62.9%.
How is the distinction made between loans for residential and non-residential purposes in your country?	The distinction is made by the reporting agents themselves.
What is/are the most common mortgage product(s) in your country?	Mortgages with floating rate used to be the most common product. But as of 2020-2022 mortgages with a fixed rate are becoming increasingly popular and in 2022 accounted for 55.6% of new loans.
What is the typical/average maturity for a mortgage in your country?	Not available
What is/are the most common ways to fund mortgage lending in your country?	Deposits
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	<ul style="list-style-type: none"> • VAT 24% From 2006 until today, the legislation provides for the imposition of the standard VAT rate (24%) on newly built properties. An exemption on first residence was also set. From 2019, when the suspension of VAT collection on new buildings was first announced, a new suspension was imposed on 09.12.2022 (L.5000/2022). The suspension of VAT will be applicable until the end of 2024. • Real Estate Transfer Tax 3% Any transfer of real estate – not subject to VAT – is subject to a Transfer Tax (3%), which is applied on the higher value between market and zonal value (property price used for tax purposes) of the real estate property. Such cost is further increased by fees such as municipal tax, notarial, land registration and legal fees. The competent bodies of the Ministry of Finance announced on 07.06.2021 (via Government Gazette 2375 Issue B) the new property zone rates for the entire country (i.e new zonal values) with effect on 01 January 2022, therefore, in 2022, all transfer costs should be estimated based on the new taxable rates. • Capital gains tax 15% Capital gains tax is levied on property-selling owners (equal to 15% of the difference between the acquisition price and the selling price, progressively depreciated depending on the holding of the property. From the imposition (in 2013) until today, there has been a continuous suspension, which (via L.5000/2022) will be applicable until the end of 2024.

What is the level (if any) of government subsidies for house purchases in your country?

According to L. 5006/2022, the government supports the Youth Housing Program “My Home”, a EUR 500 mn project, implemented as part of the housing policy of the Ministry of Labor and Social Affairs, and provides low-interest rate housing loans to young people/couples aged 25-39 years old, with a total annual income EUR 10 td up to the amount corresponding, depending on their marital status and to the income criterion defined for receiving a heating allowance by the decision issued under the authorization of paragraph 1 of article 79 of Law 4756/2020. The beneficiaries should not own a residence that can meet their housing needs. The project will allow young people/couples to acquire a residence not exceeding 150 square meters at least 15 years old at the time of its acquisition (as shown by the building permit) and worth up to EUR 200 td The house purchase will be financed with a loan that covers up to 90% of the purchase price and not exceeding EUR 150 td 75% of the loan will be provided by public funds and have a zero interest rate. The loan will have a maturity up to 30 years.