

South China Morning Post 南華早報

Greeks eye eastern promise

Wednesday, 15 January, 2014, 5:33am

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Cash-strapped government offers five-year residency to foreign investors

The fallout from the Greek debt crisis, which shook global financial markets and plunged the country into a prolonged recession, continues to wreak havoc on the nation's property sector.

Bank of Greece data covering the second quarter of last year showed property prices fell by a further 11.6 per cent year-on-year. The cities fared worse than the rural areas, with apartments declining by 12.7 per cent in Athens, and 10.5 per cent in Thessaloniki. The volume of residential transactions declined by 36.3 per cent during the quarter, while the value of sales dipped by 42.7 per cent.

This could be because many Greeks have given up on the dream of home ownership. A recent public opinion poll by research company M/A/R/C suggests that 56 per cent of respondents believe it is better to rent than buy a house. Four in 10 homeowners estimate they will not be able to pay their property taxes, which have doubled as a result of an "emergency" levy introduced in 2011.

With little or no demand at home, the cash-strapped government looked overseas, passing last April a law offering five-year residency to foreign investors who buy property worth more than €250,000 (HK\$2.63 million). The residence permits are renewed every five years, as long as the non-EU citizen keeps ownership of the property. It is not a work permit.

A Chinese businessman, named as Jin Hong from Beijing, was reported by local media as the first to sign up, buying a two-storey maisonette in a suburb of East Attica for €252,000 - even though the "objective value" of the property (its taxable valuation) was only €160,000. Dimitris Papachristou, chairman and CEO of BuildUp SA - Greece, confirmed the sale.

"It is our great pleasure to announce that on Thursday, August 8, BuildUp was the first company in Greece to successfully complete the first case of a Chinese client getting a Greek residence permit with property purchase," he said. Attica is one of the "new suburbs" of Athens, situated 4km from Athens International Airport, and 8km from the seaside. Low price was another drawcard, Papachristou said.

"That apartment's specific market price, and generally all market prices of properties in Greece, are 30 to 35 per cent lower than 2008 prices, before the beginning of the European crisis and economic recession. Identical properties - two-storey apartments in the same location - were sold in 2008 for €380,000."

BuildUp notes that would-be investors from the mainland and Hong Kong dominate the overseas inquiries.

"Generally, we have more than 20 inquiries per week for the Greek Residence Program with real estate acquisition, says Papachristou, adding that BuildUp has a portfolio of properties and can assist clients with all the necessary legal work. "From these inquiries, we have three to four [overseas] families visiting Greece per month, but we expect this number to rise rapidly after the programme is introduced to the Chinese market well."

Apart from residency, buyers are attracted to Greece's strategic position in the Mediterranean, "which makes it the gateway to European Union and Southeast Europe"; its safety; and mild climate, Papachristou says.

"We also have spectacular landscapes with amazing beaches and iconic mountains; a unique cultural heritage, and archaeological treasures. Furthermore, we have a variety of international schools in Athens and its suburban areas which even have Chinese language courses."

In Hong Kong, property agent Engel & Volkers is readying to meet expected demand by compiling a portfolio of houses in countries, such as Greece, offering residency permits with property purchase.

"It's true that we are building a pipeline for our clients, local and mainland Chinese," says Chris Liem, owner and principal. "Interest is strong for west European assets, and not just in Greece - Spain and Portugal are also strongly requested."

Investors are looking to buy properties that provide them with good returns, and securing a visa.

Other property buying criteria includes ease of maintenance, accessibility, and whether the asset "fits their image of Greece". Mostly, it's a combination of island homes and downtown Athens property, Liem says.

"Depending on the price, our buyers scrutinise the product and it's not unusual for them to make several purchases. If you found a bargain, would you just want one or just the minimum? There are many ways to play this."

Engel & Volkers has only just started in the Greek market, and there is a lead time for the sale process, but judging by the firm's "multiple success stories" in Portugal, Liem is expecting a similar result in Greece.

Source URL (retrieved on Nov 14th 2014, 9:23pm):

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