THE URGENT NEED FOR
DEVELOPING AFFORDABLE
HOUSING POLICY IN GREECE

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Since 2008 the Greek economy has been undergoing a period of prolonged economic decline which affects all sectors including the real estate and housing markets.

Although prices of both residential and commercial properties are in free fall at an average rate of minus 10% per year approximately,

demand is limited; the transaction volume has been decreasing while supply is increasing.
Investment in real estate is unprofitable

- A major reason for this has been the **instability in property taxation** and the **yearly change of the tax regime**

- Property taxes are calculated by a **progressive system based on the total amount of properties tax value of the owner**, with a scalable tax rate; tax assessment is **NOT** updated

- The imposition of new annual periodic taxes on property, in tandem with the lack of interest to buy or lease due to the recession, makes it **unprofitable** to either possess or invest in real estate.
Property market picture

- The registered deeds per year are down 50%.

- Residential real estate transactions fell in *number, volume*, and *value* 54.1% in 2013.

- The volume and value of real estate transaction plummeted by 52.1% and 56.5%, respectively.

- Within 2014, ~550,000 transactions in total (of them ~350,000 inheritances or transactions to descendants).
Homeownership is 60.1% (42.9% in EU) without loans or mortgages & 15.7% (27.9% in EU) with loans and mortgage; Property possession is now seen as a burden.

Large number of vacant residential properties, in many of which electricity service is disconnected (8-11% of the housing stock of Athens; in rural areas it is much larger).

The consumption ability of Greek households has been dramatically reduced; many families live below the poverty line.
No housing policy in Greece

- 914,873 families ~30% of the population - was below 1,000 euro monthly income, (Statistical Data of 2012)

- The N.P.L.s (Non-Performing Loans) amount to 33% of the total; the banking sector considers 10% to be a problem (Bank of Greece)

- The Social Housing Organization was abolished as a public entity through articles 1§6 and 2§1 of L. 4046/12 (1st Memorandum) in 2012

- Instead, gov housing policy is to freeze foreclosures of primary residences with a value below a certain threshold
The scope of this research

To develop a **sustainable affordable housing tool** with a **social, economic and environmental** perspective:

- Targeted to **low-income households** that either cannot pay back mortgage or cannot afford to rent at rental market prices.
- Utilize the “blocked” capital & revitalize the **vacant old apartments >8% or >41,000 in municipality of Athens**.
- Encourage climate change measures by **subsidizing energy efficiency interventions** and **renovation** of the vacant old residential stock.
Pilot study for Kypseli, Athens

- A central residential area of 150 hectares of originally *good construction quality* of building stock but of *poor maintenance*.
- The area still retains qualitative features; old building stock *may easily be upgraded*.
- Market prices have fallen there at a rate higher than the average in Athens.
- Large discrepancy between the market values and the tax assessment (>1:3).
- **11% of non electrified residencies:** 4,132 in the pilot study area, the total number of non electrified residences in Athens is 40,886.
Age of housing stock

- **80% of the construction is residential apartment buildings (8-10 ap/b) with sporadic commercial uses on the ground floor.** Building-to-lot ratio is 3.6
- 20% of the total construction dates of 50s or earlier.
- 1960’s & 1970’s: construction boom of multi storey apartment buildings (63% of the total buildings).
- 1980’s & 1990’s: fewer construction (13% of the total); densely populated by middle income families.
- Only 4% are built after 2000-2010; >77% of the total are apartment buildings.
The vast majority of the building stock is *older than 40 years*;

87% of the apartments are of moderate or poor condition; 7% excellent condition.

Most fall into class G or H (the least favorable categories in terms of energy consumption).

In late 80’s a large number of Greeks moved out and Kypseli is now inhabited by low-middle income Greeks as well as poor African and Balkan immigrants.
Overview of the pilot area
Population change 2001-2011
Owners & tenants

 Owners:
- No revenue (no demand, high renovation costs)
- High annual property tax (Tax assessment 900€ /m² for buildings older than 25 years)
- Monthly common expenses
- They can neither sell nor lease;

 Tenants: ???
- No statistics available on foreclosures due to N.P.L.s
- New low-income families; no social housing; limited access to credit
Local market

For a *typical old* 70 m²:

- Market value ~ 300 €/m² during the last six months (1000 €/m² in 2008)
- The tax assessment is higher than 900€/m²
- Cost for energy improvements=6300 €
- The market rent ~ 250€ (if improved)
  owners cannot afford the total cost:

Total annual tax=264,20 € at least!

  Income tax=330 €

Expenses: 6300 € + (Total tax=594,2 € /year x 3= 1782,6 €)=8082,6 €

Revenue: rent 250 € /month x 12 x3=9000 €

Recovery time 32 months

*This does not work today!*
Proposed 3-year pilot project

Aim: activate the dead capital in the case study area:
4,132 residencies x 300€/m² x70 m²/residency= €86,772,000 (~10% of the total)

- Subsidize 70% of the cost for energy improvements & rent the house at affordable rent 84 €/month to low-income target group for 3 years
- min low-income 586 € monthly
  - replacement of exterior doors and windows by aluminum frames with double glazing
  - installing a solar water heater.

Costs for the owner for 3 years:
- annual possess+ income property tax=264€+110 €=374 € x 3=1122 €
- 1890€ energy improvement cost
- Total expenses=3012 €
- Revenue: 84 €/month x12x3=3024 €

Expected benefits:
- Annual energy savings of 34%, equivalent to 67kWh / m²
- Annual reduction in CO₂ emissions of 21.6%
- Affordable housing for the low-income (housing costs 30% of the salary)
- Energize labor & financial market; improvement of old housing stock
- Owners after 3 years will be able to rent at market rent prices
- Establish a fair system
Our recommendations

- Pilot *optional* tool for both owners & renters, well advertised, *clearly regulated and fair* for both owners & renters
- Applicable for the pilot area or the whole municipality
- *Tax assessment should be adjusted* to market values for a more attractive and fair policy
- *Subsidies for energy improvements (for those who join the project) should be given to repair old apartments of low value*, and not according to the general income of the owner
- Affordable *rent* should be *streamed directly from the salary of the tenant to the owner*
Greece is a beautiful country

Thank You