



National Technical University of Athens
School of Rural and Surveying Engineering

THE URGENT NEED FOR DEVELOPING AFFORDABLE HOUSING POLICY IN GREECE

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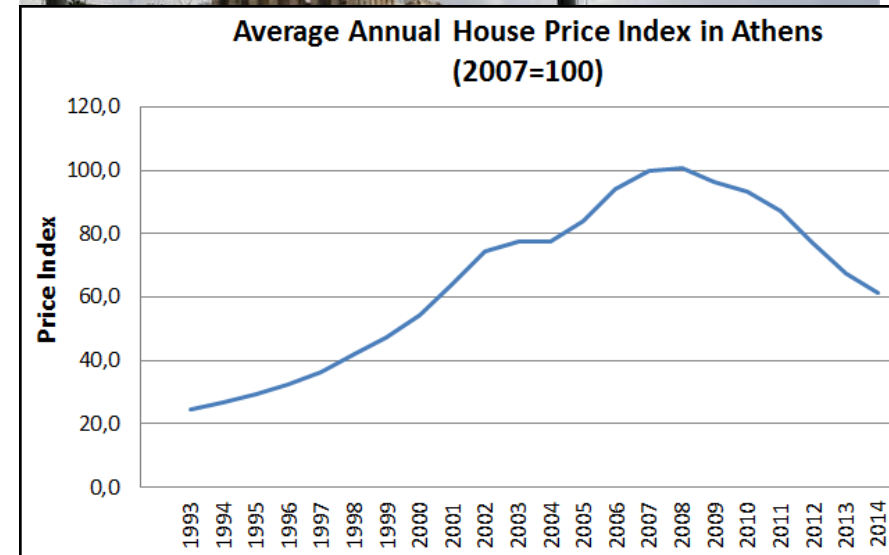
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Linking Land Tenure and Use for Shared Prosperity
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Background



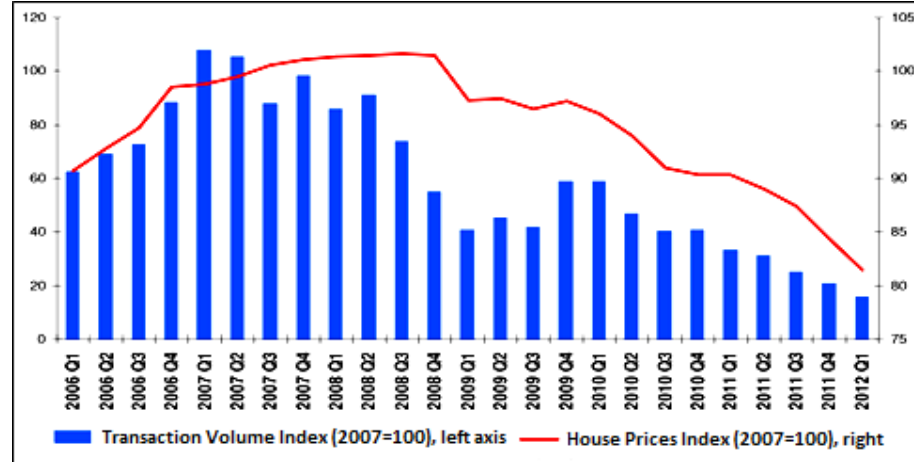
- Since 2008 the Greek economy has been undergoing a period of prolonged *economic decline* which affects all sectors including the real estate and housing markets.
- Although prices of both *residential and commercial properties are in free fall* at an average rate of minus 10% per year approximately,
- *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 plunged by 52.1% and 56.5%, respectively.
- Within 2014, ~550,000 transactions in total (of them ~350,000 inheritances or transactions to descendants)





No buyer interest

- 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

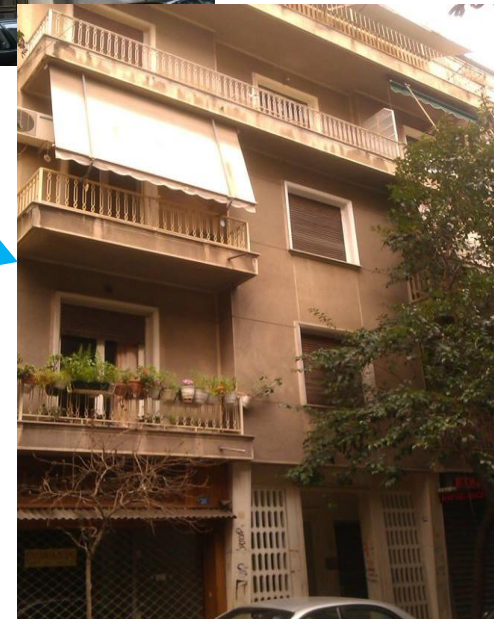




The scope of this research

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

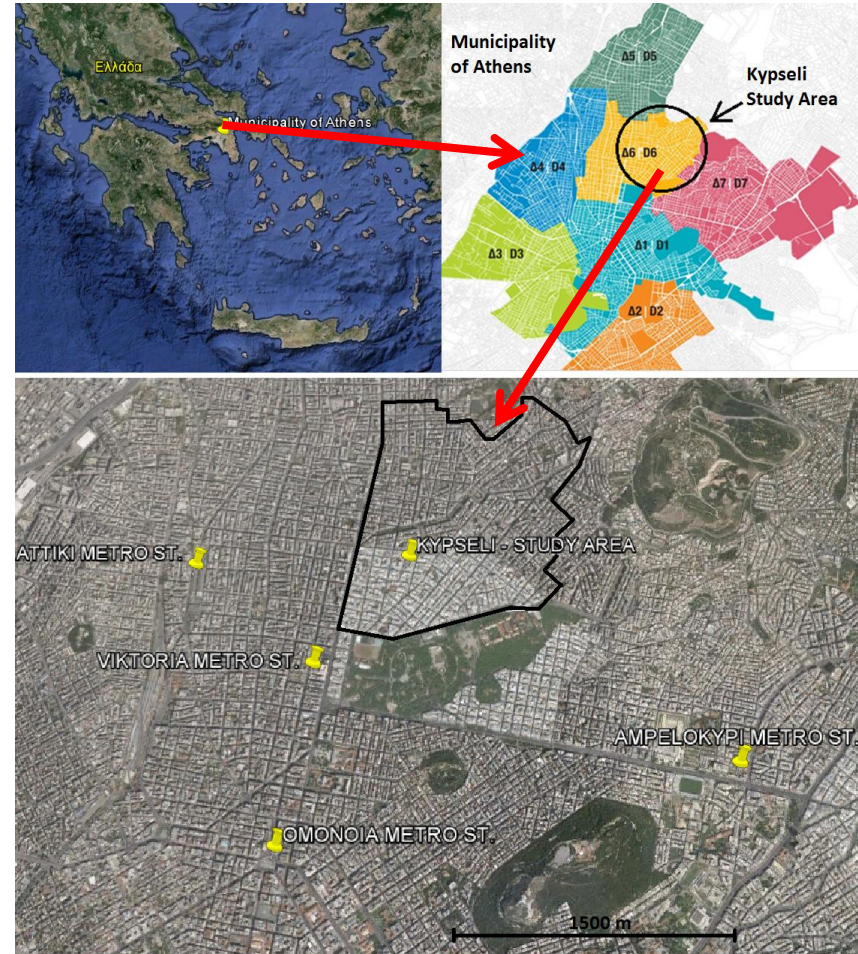
- Targeted to **low-income households** that either cannot pay back mortgage or cannot afford to rent at rental market prices
- Utilize the “blocked” capital & revitalize the vacant old apartments **>8% or >41,000 in municipality of Athens**
- Encourage climate change measures by **subsidizing energy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

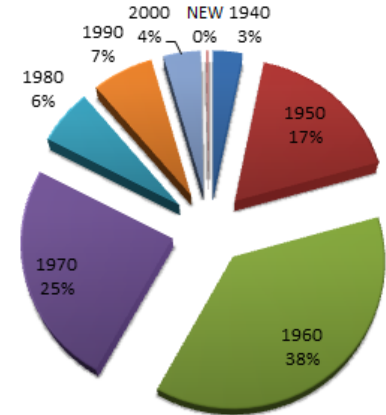




Age of housing stock

- **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

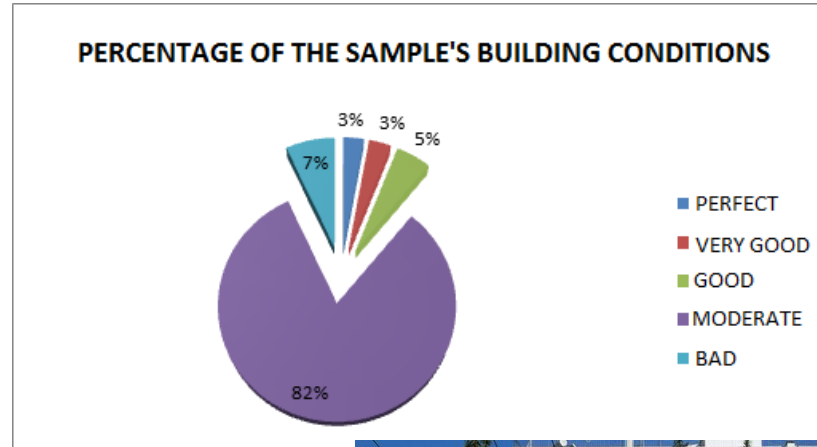
PERCENTAGE OF BUILDING CONSTRUCTION PER DECADE





Condition of housing stock

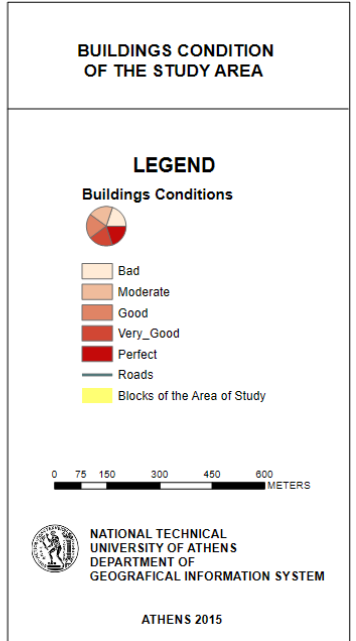
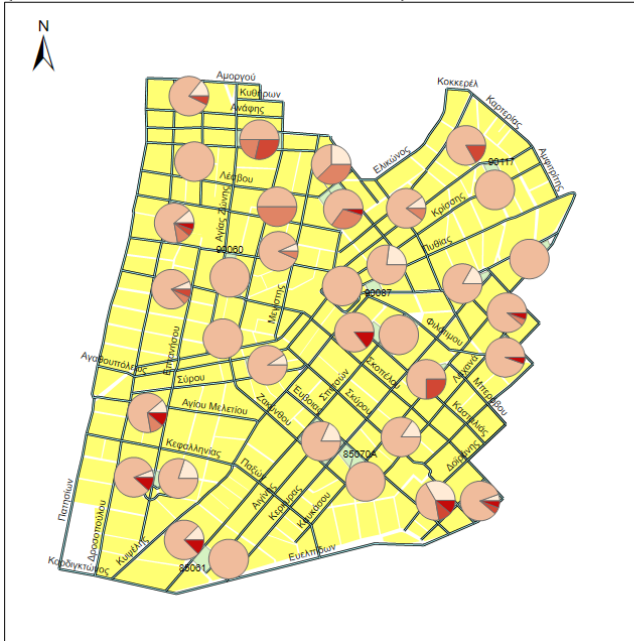
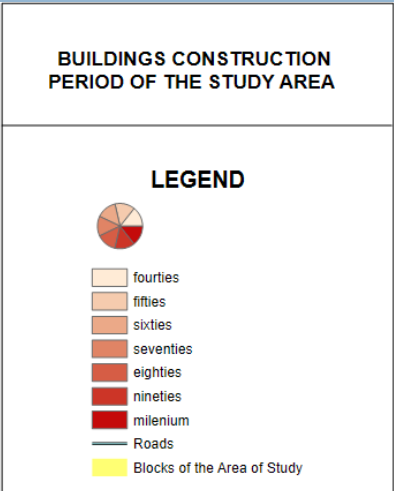
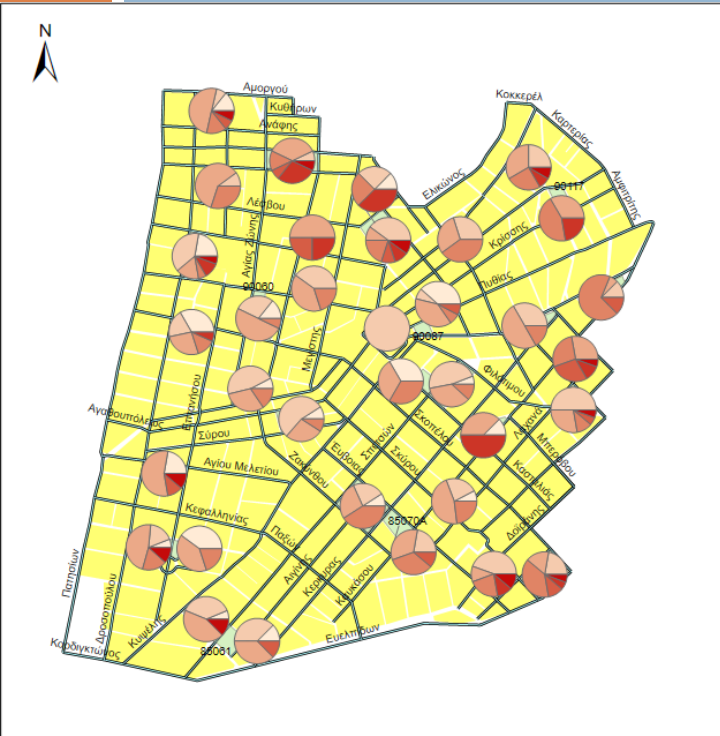
- The vast majority of the building stock is **older than 40 years** ;
- 87% of the apartments are of moderate or poor condition; 7% excellent condition
- Most fall into class G or H (the least favorable categories in terms of **energy consumption**)
- In late 80's a large number of Greeks moved out and Kypseli is now inhabited by *low-middle income Greeks as well as poor African and Balkan immigrants.*



Year of Inventory	Residents
1991	47.437
2001	43.120
2011	41.007

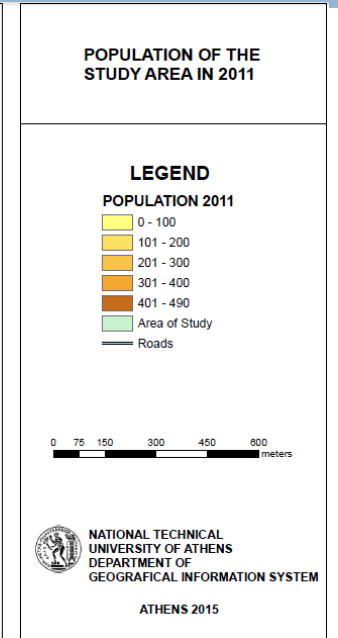
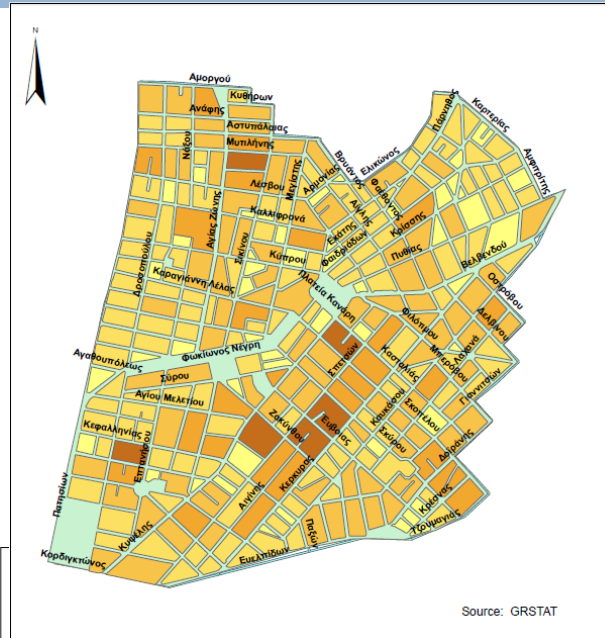
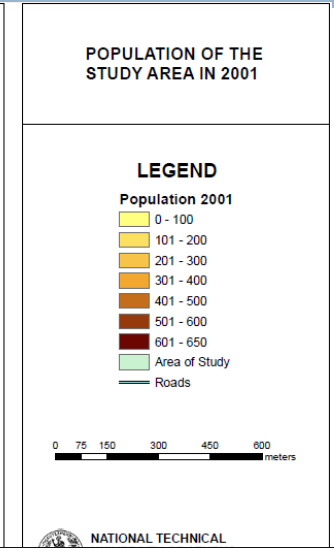


Overview of the pilot area

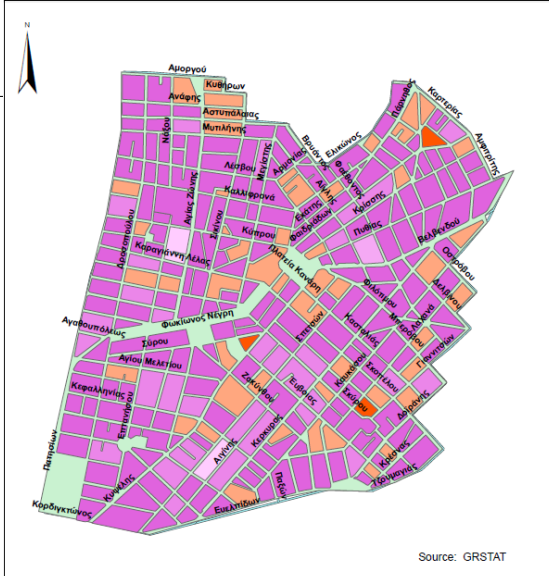




Population change 2001-2011



Source: GRSTAT



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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!

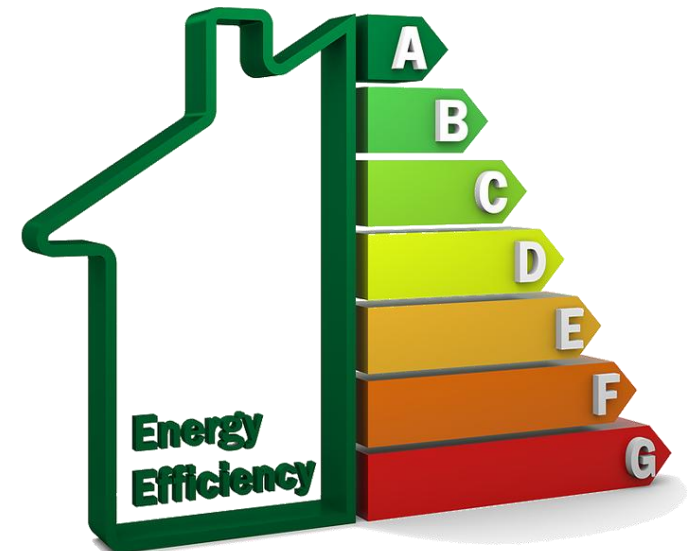
Income tax=330 €

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 advertized, **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

