



National Technical University of Athens
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***RECORDING OF THE RELEVANT LEGISLATIVE
REFORMS IN GREECE DURING THE ECONOMIC
CRISIS AND ASSESSMENT OF THEIR EFFECT ON
THE PROPERTY MARKET***

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Content of the research



- Background information & the scope of the research
- 2012-14 legal framework on land management reforms with an impact on the property market, with particular focus on **foreign** and **domestic investment**
- Assessment of these reforms in terms of compliance with the global trends and the basic principles for sustainable property markets as defined in the 2008 publication, in order to predict the expected impact
- Proposals

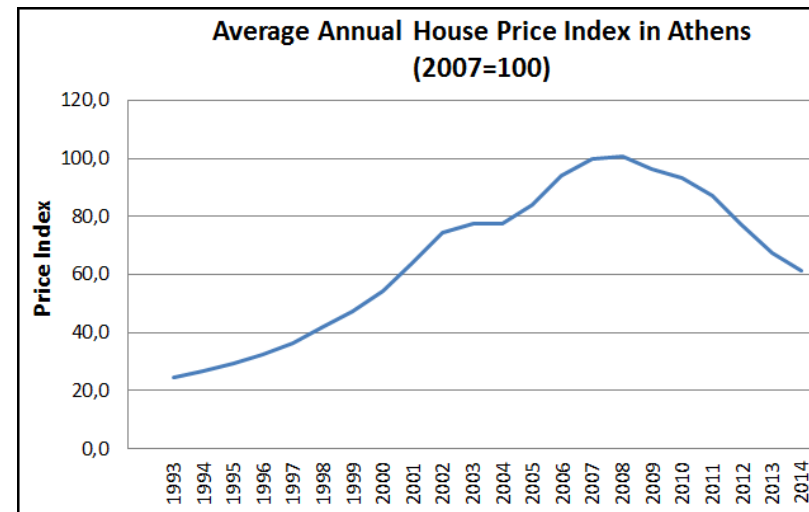


“The Real Estate & the Financial Crisis: Causes, Effects & Impacts on Development”, Dec 2008, UN, New York

Background



- Since 2008 Greek economy is in *economic decline* affecting all sectors
- *Residential & commercial RE* prices are in free fall, **supply is increasing**, but transactions/yr: ↓ 50%;
- Residential transactions fell in **number**, **volume**, and **value** 54.1% in 2013 . Within 2014, ~550,000 transactions (of them ~350,000 inheritances/donations)
- **No buyer interest**
- Consumption ability of Greeks is reduced (30% below poverty), **ownership is a burden, 33% NPLs** (2015)
- No significant foreign investment in RE.



Why is investment in RE in Greece unprofitable?



Legal framework improvements (I)

During 2012-2014: **283 new laws**, of them **16 are most relevant**

Introducing a “New way” for:

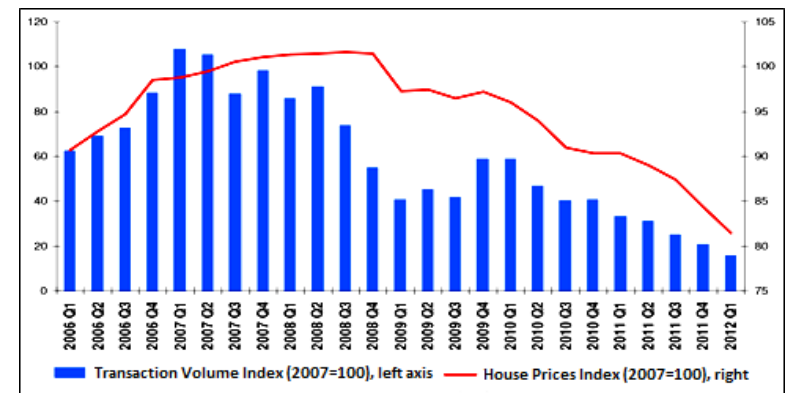
1. Spatial planning for public (2011) and private land (2013) for Strategic investments
2. Management of state rural land, regularization of property rights (2012)
3. Building Code (2012); testing an e-construction permitting (2011); energy performance of buildings (2013)
1. Establishing & regulating the profession of Appraisers (2012, 2013); the profession of Mediators (2010)





Legal framework improvements (II)

5. Improving the National Cadastre in terms of administrative responsibilities & operation (2013)
6. Formalization of informal development (2009, 2010, 2011, 2013); introduction of the Environmental balancing principle (2013)
7. The scheme for organized & complex tourism developments (2013); simplifying permitting procedures to increase competitiveness of Greece
8. Uniform annual Real Property Tax (ENFIA) & an additional property tax (2014), changing every year!





Legal framework improvements (III)

9. The code of immigration & social inclusion (2014);
provision of residence permits to non EU residents
by purchase of RE for a min of 250,000 Euros
(China, Russia, Egypt, 67M Euro invested)
10. Land-use & urban planning reform (2014) regulating
19 land-use types & introducing the 2020 digital
strategy:
the boundary lines of all legislative restrictions to be
in a geospatial database
11. New master plan of Athens (2014) foresees
development until 2021
12. Private planning & environmental upgrade (2014) for
areas > 5ha;
regulations of forest law for the establishment of a
Land Bank to enable exchange of land;
incentives for abandoned village regeneration
13. Improvement of the urbanization law (2014)





Overall assessment of the reforms (I)

- Total **lack of** social housing / no care to develop **affordable housing** policy
- Instead: Policies in favor of borrowers at the expense of lenders
- **Lack of financing**, dramatic **loss of trust** to the Greek banking sector, capital controls; **political instability**
- **Unfair** and **unstable** property taxation: main tax + additional tax
 - It is calculated based on property tax values that are **>3 times higher than market values** and **distorted** (taxes influenced: annual, inheritance, transaction, fees **cadastral, informal development, municipal, residence, immovable property, notary, urbanization**, etc); several subsidized costs for low-income earners are lost
 - **Tax is applied progressively: an additional tax is applied** according to the total value of properties per owner; it affects the competitiveness of Greece; causes lack of trust; this is announced to be further increased
 - **Tax values are updated recently with political criteria:** lack of trust to the government & to the international experts involved

Overall assessment of the reforms (II)



- Planning reforms are still conservative, not “pro-growth”
Further improvements are needed
- Since 2011 only 2 strategic investments on public land and 2 strategic investments on private land have been ratified





Proposals (I)

- Positive reforms; **how pragmatic** they are in terms of motivations to domestic and foreign investors?
- All legal tools need to be examined in terms of affordability, inclusiveness, applicability and efficiency
- **Clear policy framework** should be developed to provide access to capital
- A high level committee should be established consisted by independent consultants to **monitor the implementation progress** of the reforms
- Experience derived from the planning improvements (flexible norms and standards) for strategic investments should be transferred to all, taking into consideration affordable housing policies (first time buyers, young, etc) as well
- **Property tax** should be levied to each property according to its market value; tax values and coefficients should be updated in a scientific manner; additional tax should be abolished



Proposals (II)

- **Political will** is needed to formalize informal development affordably and create fit-for-purpose tools for upgrading such real estate
- **Land-use restrictions** (forest land, archaeological sites, etc) should be urgently **mapped** and free access to such info should be provided
- The remaining necessary framework should be prepared for the **land exchange** process through the land bank; **e-constructing permitting** procedure should be activated
- **Mediation procedures** on land issues should be broadly communicated to unblock the courts
- Cadastre should develop a **monitoring mechanism** to measure its impact on the property market and adjust accordingly
- A **mechanism to monitor performance of services and procedures** (courts, professionals, tax offices, banks, etc) and collect statistics on recovery rates is needed; closer **cooperation with the Statistical Authority; Indicator development**

Greece is a beautiful country



Thank You

