

Greece

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IN A NUTSHELL

- Real GDP² grew by 2.0%, against 5.6% in 2022.
- House prices continued to rise rapidly; apartments rose by 13.8% (11.9% in 2022).
- Total outstanding housing loans declined by 3.5%, almost unchanged against 2022 (-3.6%).

MACROECONOMIC OVERVIEW

Following very robust growth in 2022 (5.6%), economic activity continued to grow more slowly, by 2.0% in 2023, above the Euro area average (0.6%).

The main drivers of economic growth were private consumption, investment and exports as well as other factors, such as the strong performance of the tourist sector.³ In particular, growth rates in real terms were 1.8% in private consumption, 4.0% in gross fixed capital formation and 3.7% in exports of goods and services. In contrast, the increase in imports (2.1%) weighed on GDP growth. In Q1 2024, GDP (seasonally adjusted) continued growing by 2.1%, y-o-y, mainly driven by gross fixed capital formation (up 2.9%, y-o-y in real terms), and private consumption (2.2%, y-o-y). On the contrary, the decline in government consumption (-4.0%), in exports of goods and services (-5.7%) and the increase in imports of goods and services (3.1%) contributed negatively to GDP growth in Q1 2024.

The economic outlook remains positive, despite continued uncertainties surrounding the domestic and the global economy. Looking ahead, according to the latest ECB staff macroeconomic projections (June 2024), growth is expected to accelerate marginally in 2024 and 2025 mainly driven by investment, supported by available European resources, and private consumption, the growth rate of the Greek economy in 2024 is expected to stand at 2.2%, to accelerate in 2025 to 2.5% and to decelerate slightly to 2.3% in 2026.⁴ Investment, private consumption and exports will continue to be the key drivers of the economy in the coming years. The contribution of public consumption is expected to be marginally negative, while the external sector will be marginally negative due to the high degree of dependence of the Greek economy on imports.

Residential investment (ELSTAT, non-seasonally adjusted data at constant prices) increased further by 20.7% in 2023 (2022: 33.7% and 27.3% in 2021), whereas investment in total construction increased for a third consecutive year but at a slower pace compared to residential (2023: 13.6%, 2022: 16.6%, 2021: 16.7%). The difference was mainly due to investment in "other" construction (non-residential construction and civil engineering) which grew by 10.0% in 2023, 9.5% in 2022 and 12.8% in 2021.

In 2023, the labour market improved further, and unemployment declined, due to the economic growth. According to ELSTAT - Labour Force Survey (non-seasonally adjusted data), employment increased, at a moderate pace, by 1.3% in 2023, against 5.4% in 2022. Employment growth in 2023 was greater for women than for men (2.7% and 0.2% respectively). The unemployment rate, although declining steadily and significantly in recent years (11.1% in 2023, 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 (6.5%). By gender distinction, the unemployment rate declined for both men and women while the rate of women (14.3%) remained significantly higher than that of men (8.5%). According to the Bank of Greece Governor's Annual Report 2023,⁵ labour market developments will further improve, reflecting the continued recovery in economic activity, with the employment rate expected to increase in 2024 at similar rate, i.e. by 1.3%, on annual basis, and the unemployment rate to decline to 10.4%.

HICP inflation (according to ELSTAT data) eased significantly to 4.2%, following the steep rise in 2022 to 9.3% a rate not seen since 1995. On the other hand, core inflation (inflation excluding unprocessed food and energy prices) increased further and stood at 6.2% in 2023 against 5.7% in 2022. In 2024, HICP inflation is expected to stand at 3.0% in 2024,⁶ down from 4.2% in 2023, reflecting the sharp decline in energy commodity prices and the de-escalation of food inflation. By the end of the projection horizon inflation will converge towards the European Central Bank's target but will remain above it.

According to the Bank of Greece data, in 2023 the amount in foreign direct investment (FDI) reduced to EUR 5.0 bn (from EUR 8.0 bn in 2022 and EUR 5.4 bn in 2021), however the real estate contribution⁷ remained strong (42.5%). In Q1 2024, FDI was EUR 1.4 bn, mainly in real estate.

In 2023, the general government had a primary surplus of 1.9% of GDP, improving from a balanced primary outcome in 2022 and the general government debt decreased to 161.9% of GDP from 172.7% in 2022. According to the [2024 Stability Programme](#), the general balance is projected to improve further in 2024 at a surplus of 2.1% of GDP and general government debt is expected to drop to 152.7% of GDP, i.e. reduced by 9.2 pps compared to 2023.

HOUSING MARKETS

The real estate market maintained high levels of demand, both foreign and domestic, especially in the prime segment. The uncertainties that emerged over the past two years from heightened geopolitical instability and the effects of high inflation have not halted the upward trend in prices and do not appear to have a significant impact on construction and investment activity for the

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%. In 2023, revenues from tourism activity outpaced the 2019 revenues by 113.3% and amounted approximately EUR 21 bn.

⁴ [Press release of Bank of Greece: Monetary Policy Report 2023-2024/26.06.2024](#).

⁵ [Press Release of Bank of Greece: Governor's Annual Report 2023/08.04.2024](#).

⁶ [Press release of Bank of Greece: Monetary Policy Report 2023-2024/26.06.2024](#).

⁷ Net inflows of funds for real estate purchases by foreign investors.

time being. The housing market, especially investment properties, attracted the greatest interest, with the price increases being particularly high. However, international price developments, inflation specifically in energy and high interest rates, could, if sustained, lead to lower growth rates or even reduction in prices for the domestic market, especially residential properties with characteristics and locations that attract lower demand.

According to the Bank of Greece apartment price index, prices continued to grow for a sixth consecutive year, overall, faster compared to previous years but in decelerating pace in the last three quarters of 2023 (from 14.8% y-o-y in Q2 to 12.4% y-o-y in Q4). Based on valuation data collected by credit institutions, nominal apartment prices increased by 13.8%, (11.9% in 2022). The prices of old apartments, i.e. over 5 years old, rose 14.5%, slightly higher than new apartments (12.7%). Higher annual growth in apartment prices occurred in the major urban areas, for example in Thessaloniki (16.5%) and other big cities (15.0%), whilst in the Athens area the rate of increase was slightly lower than the country average (13.8%). The increase in the rest of the country areas was 11.4%.

The housing market strengthened significantly mainly due to foreign investor demand, tourism, the Golden Visa Programme,⁸ and the subsidized housing loan programme ("My Home") for young first-time buyers. Net receipts for real estate purchases from abroad are still a high proportion of total investment in the country (42.5%), exceeding EUR 2 bn, up by 8.0% relative to 2022, (EUR 2,133 mn in 2023 compared with EUR 1,975 mn in 2022). Residential investment (non-seasonally adjusted ELSTAT data at constant prices), increased by 20.7%, (33.7% in 2022), although low as a percentage of GDP (1.9%).

Moreover, construction activity for dwellings (ELSTAT data) increased significantly in both the number and building volume (in cubic meters) of new building permits, by 22.2% and 14.7%, respectively. In Athens area growth was slightly higher (24.6% and 26.0%, respectively). Positive business expectations for residential construction (IOBE⁹ data) strengthened further by 18.1% in annual terms (4.0% in 2022). However, the total cost of new residential building construction (ELSTAT data) continued to increase, by 6.2% for the year (from 8.8% in 2022), while the annual growth in the cost of construction materials was higher (7.6% in 2023 from 11.0% in 2022). Despite the significant growth of the residential real estate market, the total amount of new housing loans¹⁰ after six years of continuous increases continued to remain subdued, while it declined by 1.9% in 2023, against an increase of 20.7% in 2022.

Positive developments in the housing market continued in the first months of 2024. In Q1 2024 the annual rate of change in apartment prices for the entire country stood at 10.4% y-o-y. The apartment price index in the Athens area registered a significantly lower annual growth rate than the average annual rate nationwide (9.4%), but its level surpassed its historical peak recorded in Q2 2008. In Q1 2024, net foreign direct investment in Greek real estate was EUR 520 mn, (EUR 497 mn in Q1 2023, a 4.6% y-o-y increase). Residential construction

activity (ELSTAT data) continued to increase significantly in Q1 2024, recording an annual increase of 61.2% in terms of building volume (in cubic meters) and 82.1% in terms of the number of permits. However, residential investment (seasonally adjusted ELSTAT data at constant prices) decreased, on an annual basis, by 14.0% in Q1 2024. The total cost of construction of new residential buildings (ELSTAT data) during Q1 2024 continues to increase (4.0%, y-o-y), however, decelerating significantly compared to the corresponding period of 2023 (8.1%). Business expectations in the house construction sector (Foundation for Economic & Industrial Research data), during the first five months of 2024, declined slightly by 0.2% y-o-y.

According to the latest available data, real estate transactions¹¹ increased by 7.2% in 2022 (112,283 transactions), after a strong rebound in 2021 (104,746 transactions) by 40.1% against 2020, during which a decrease on average by 22.6% was recorded, mainly due to the pandemic (74,769 transactions). Due to the strong dynamics in Greek real estate market a further enhancement on the number of real estate transactions is expected for the year 2023.

The outlook remains positive, despite the uncertainties surrounding the domestic and the global economy; the main impediments include, inter alia, the geopolitical uncertainty, increased energy and material costs, high interest rates and financing, increased prices, worsening housing affordability and other housing costs as well as continues changes in legislation and taxation.

MORTGAGE MARKETS

The total stock of housing loans outstanding continued to decline in 2023, by 3.5% almost unchanged compared to 2022 (-3.6%). In April 2024 the amount of outstanding housing loans declined, at decelerate rate, by 2.9%, y-o-y. The total amount of new housing loans¹², although still low, decreased in 2023 decreased by 1.9%, a fall for the first time after six years of continuous growth (20.7% in 2022). During the period January-April 2024, total new housing loans increased by 38.9%, y-o-y, marking a significant growth compared to a decrease by 7.2% in the corresponding period of 2023. According to the Bank of Greece Financial Stability Review,¹³ in 2023, the average residential real estate-backed loan disbursement amount, including renovation loans, was EUR 68,682 significantly lower compared to the previous years (EUR 78,812 in 2022 and EUR 73,157 in 2021). Also, the average loan-to-value ratio for new mortgage loans decreased further by 85 bps to 62.0% from 62.9% in 2022 (63.7% in 2021).

Bank interest rates on new and outstanding housing loans increased further in 2023: average interest rates on new housing loans by 96 bps to 4.10% and on outstanding housing loans with an initial maturity of over 5 years by 193 bps to 4.33%. In Q1 2024, the average interest rate on new housing increased compared to Q4 2023 (by 2 bps to 4.45%), whilst compared to Q1 2023 it increased by 69 bps. The average interest rate on outstanding housing loans with an initial maturity of over 5 years compared to Q4 2023 decreased (by 2 bps to 4.40%)

⁸ Golden Visa Programme: Permanent residence permits for non-European residents by investing EUR 250 td and above in real estate in Greece. In 2023, new adjustments in the Programme took place such as the increase of the investment threshold to EUR 500 td 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. However, in 2024, new changes were introduced - under the authorization of article 64 of Law 5100/2024 - with effective date as of August 31st, 2024. Under this decision, two different investment tiers, depending on geographical zones, were introduced: Tier 1 with an increase in investment threshold to EUR 800 td and covers the areas of Athens, Thessaloniki, Mykonos, Santorini, and the islands, which have a population of more than 3,100 people (acc. to census 2021) and Tier 2 with an increase in investment threshold to EUR 400 td and covers all other regions of

Greece. The requirement for both tiers is that the investment will concern a single property purchase of at least 120 square meters.

⁹ IOBE: Foundation for Economic & Industrial Research.

¹⁰ Data are based on the [Bank of Greece interest rate database](#) on new housing loan contracts.

¹¹ 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: 2022.

¹² Data are based on the [Bank of Greece interest rate database](#) on new housing loan contracts.

¹³ [Bank of Greece: Financial Stability Review – April 2024](#).

although compared to Q1 2023 rose by 26 bps. Mortgages with floating rate used to be the most common, but since 2020, mortgages with a fixed rate have become increasingly popular and in 2023 were 65.8% of new housing loans (55.6% in 2022 and 43.5% in 2021).

The increase in interest rates has led to lower demand for housing loans for almost two years, according to Bank Lending Survey data. However, the demand for housing loans in Q1 2024 did not change q-o-q and is expected – according to the same survey – to remain unchanged in the next quarter as well. Also, according to the latest available data of the Bank Lending Survey for Greece (Q1 2024), credit standards for housing loans to households eased compared to Q4 2023. Terms and conditions for mortgages to households tightened somewhat. Finally, banks reported that the proportion of rejected loan applications to housing loans marginally increased.

MORTGAGE FUNDING

From May 2023 to April 2024 private sector deposits increased by EUR 5.2 bn, slower than in the corresponding period of the previous two years (EUR 7.1 bn in the period May 2022 to April 2023 and EUR 9.7 bn in May 2021 up to April 2022). Households' deposits grew annually by 2.3% in April 2024. It is worth mentioning that since October 2021 - and as pandemic-related support measures has been withdrawn - households and private non-profit institutions deposit growth has been slowing, under the negative impact of inflation as well as substitution of deposits by other saving options.

The total nominal value outstanding of covered bonds issued by Greek banks declined from EUR 10.1 bn to EUR 9.8 bn over the year. The total nominal value of outstanding senior and subordinated securities issued by Greek banking groups stood at around EUR 12.9 bn at the end of 2023, (EUR 9.4 bn at the end of 2022).

At the end of 2023 the funding of Greek Banks from the Euro system amounted to EUR 14.3 bn, representing a decline of EUR 21.1 bn compared with the end of 2022. This decline was due to the repayments of funds borrowed under the third series of targeted longer-term refinancing operations (TLTRO-III).

	GREECE 2022	GREECE 2023	EU 27 2023
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	5.6	2.0	0.4
Unemployment Rate (LSF), annual average (%) (1)	12.5	11.1	6.1
HICP inflation (%) (1)	9.3	4.2	6.4
HOUSING MARKET			
Owner occupation rate (%) (1)	72.8	69.6	69.2
Gross Fixed Investment in Housing (annual change) (1)	33.7	20.7	-3.1
Building Permits (2015=100) (2)	212.1	239.9	94.0
House Price Index - country (2015=100) (2)	132.7	150.9	170.2*
House Price Index - capital (2015=100) (2)	148.7	169.2	165.1*
Nominal house price growth (%) (2)	11.7	13.8	3*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	29,753	28,456	6,782,375
Outstanding Residential Loans per capita over Total Population (EUR) (2)	2,845	2,733	15,114
Outstanding Residential Loans to disposable income ratio (%) (1) (2)	21.6	19.5	71.3
Gross residential lending, annual growth (%) (2)	23.0	-4.8	-26.6
Typical mortgage rate, annual average (%) (2)	3.1	4.1	4.7

* Please note that this value is a simple average of the available values in 2023.

Sources:

(1) Eurostat.

(2) European Mortgage Federation - Hypostat 2024, 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 (April 2024) the LTV ratio for new mortgage loans in 2023 decreased further by 85 bps to 62.0% from 62.9% in 2022.	
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 2020-2023 mortgages with a fixed rate are becoming increasingly popular and in 2023 accounted for 65.8% of new loans, significantly up from 55.6% in 2022.	
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. 	<p>According to Law 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.</p> <p>The project allowed 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 would be financed with a loan that covers up to 90% of the purchase price and not exceeding EUR 150 td. 75% of the loan would be provided by public funds and have a zero-interest rate. The loan will have a maturity up to 30 years.</p> <p>The deadline for applications regarding the government co-funded loan program 'My Home' expired on 29 September of 2023.</p> <p>Total public funds of the program amounted to EUR 375 mn and contributed to a temporary increase in the demand for housing loans mostly during the second quarter of 2023.</p>

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