Decoding Housing Affordability in Greece

Dr Panayotis Kapopoulos
Chief Economist
Alpha Bank

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Affordable housing and residential property stock in Greece

Housing is an ongoing challenge for modern Western societies and Greece is no exception.

Residential properties constitute the dominant form of non-financial wealth for Greek households.

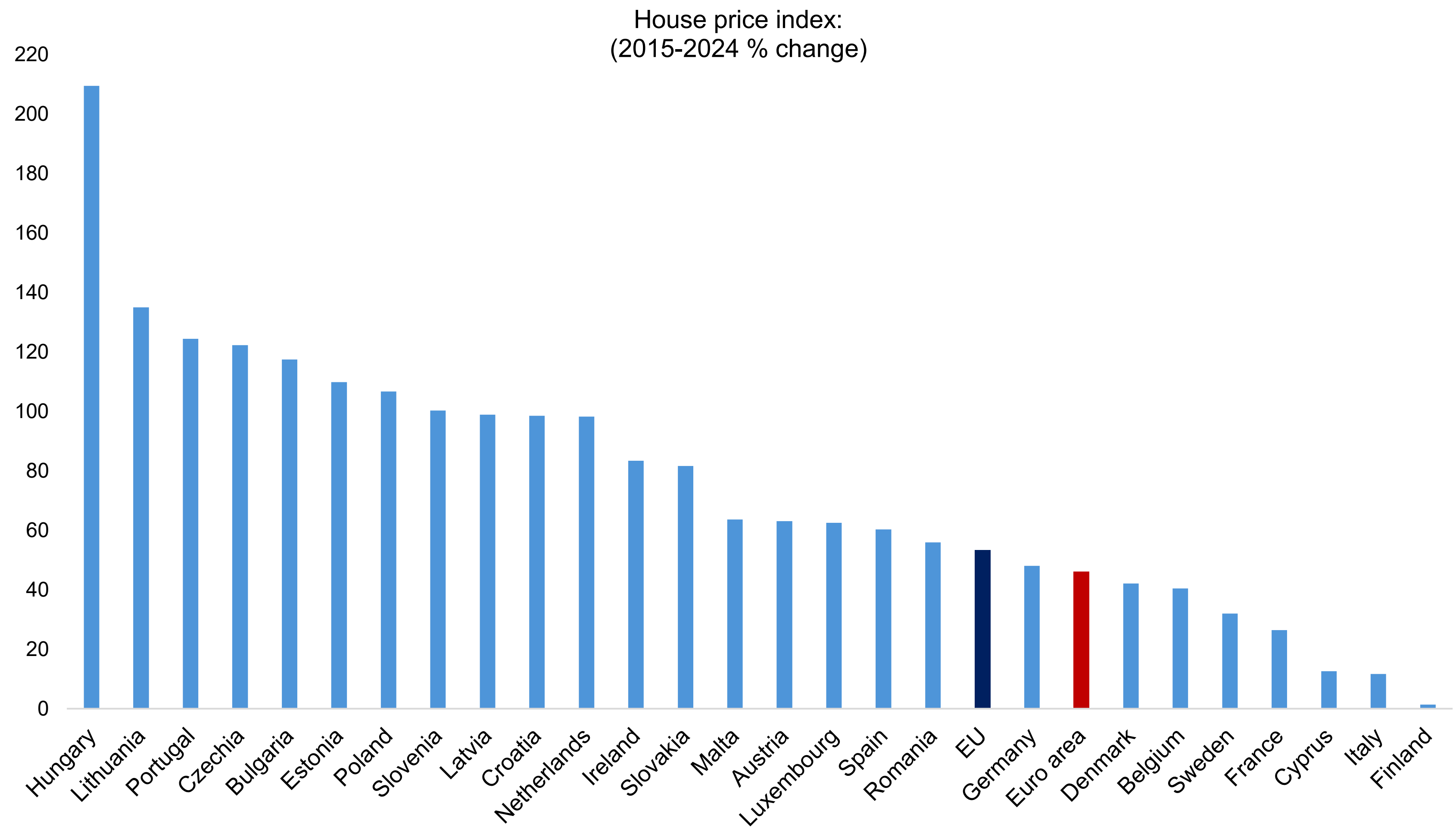
64% of buildings across Greece and 69% in Attica were constructed between World War II and 1990.

The average age of buildings is well over 30 years.

Financing schemes created this building stock:

- the land-for-flat exchange,
- savings or family inheritances.

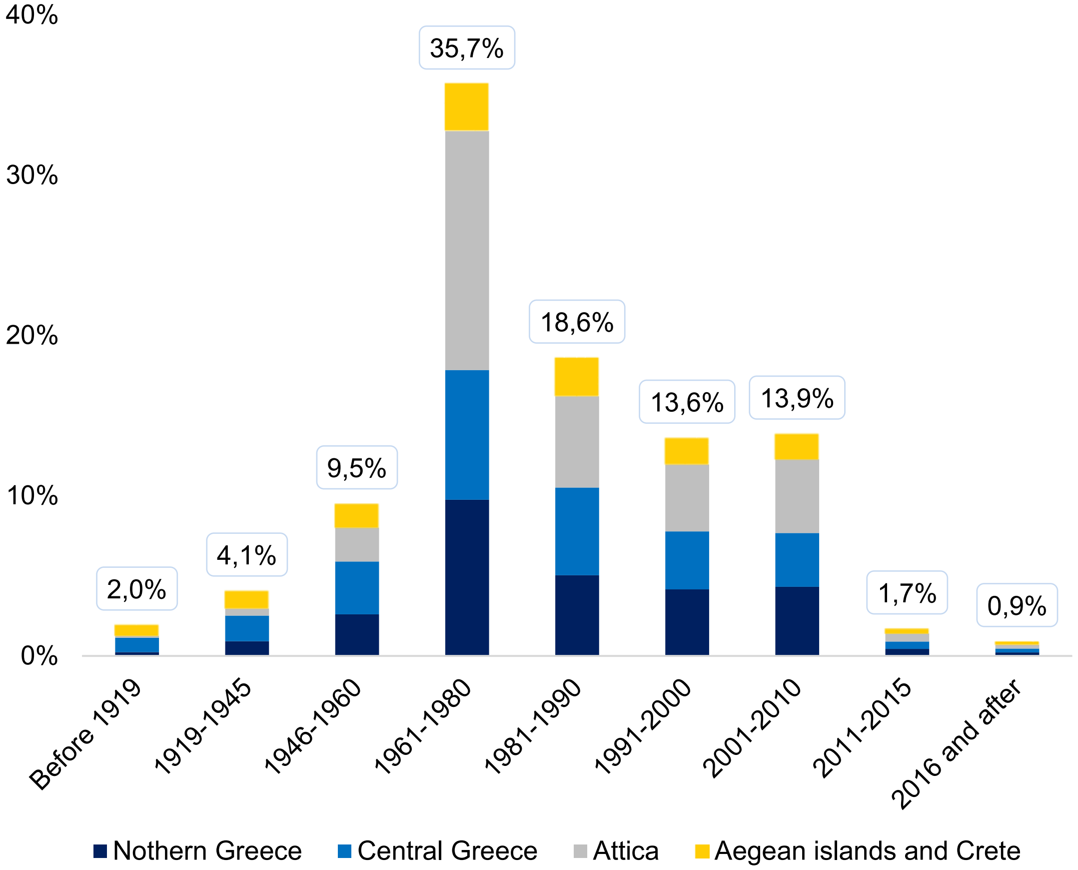
House prices grew fast in the EU in recent years

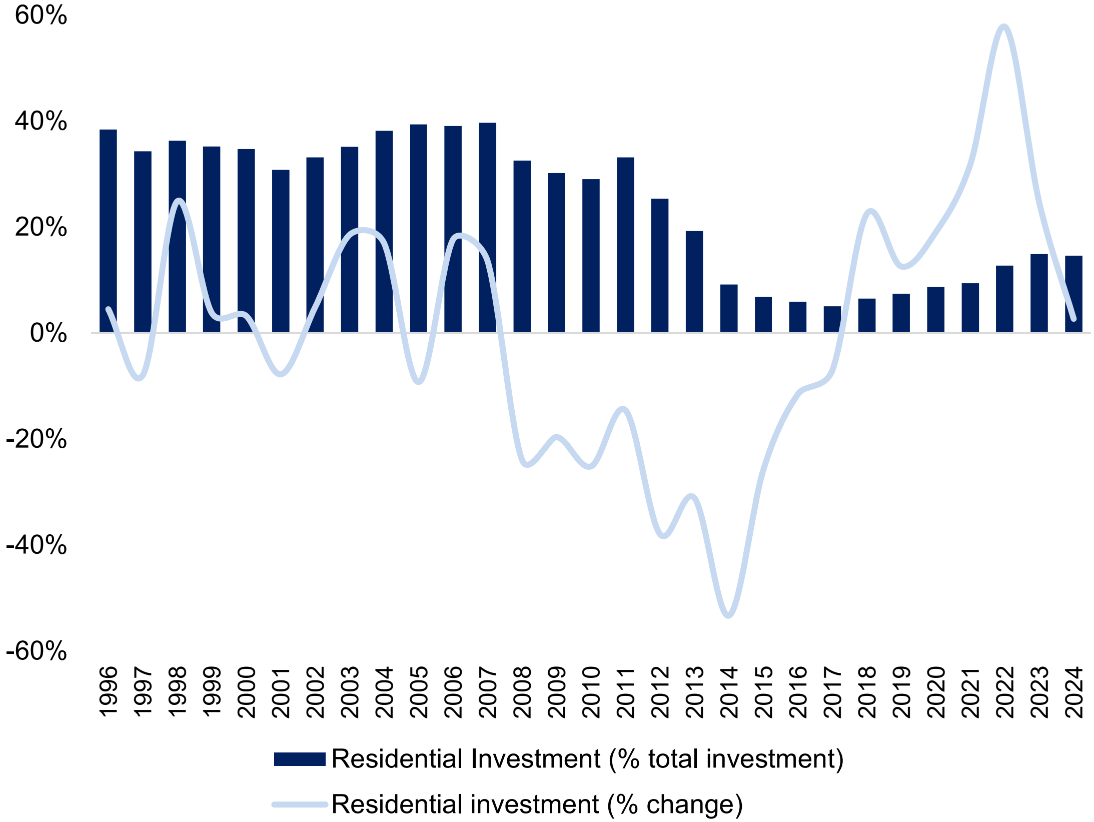


Source: Eurostat

- House prices recorded steep increases across the EU in the last decade.
- Cumulative increases range from 1.3% (Finland) to almost 210% (Hungary).
- On average the rise in house prices reaches 53% cumulatively in the EU and 46% in the Euro area.
- Adjusted for inflation, house prices in the EU have risen by more than 20% since 2015.

Ageing housing stock and highly volatile residential investment



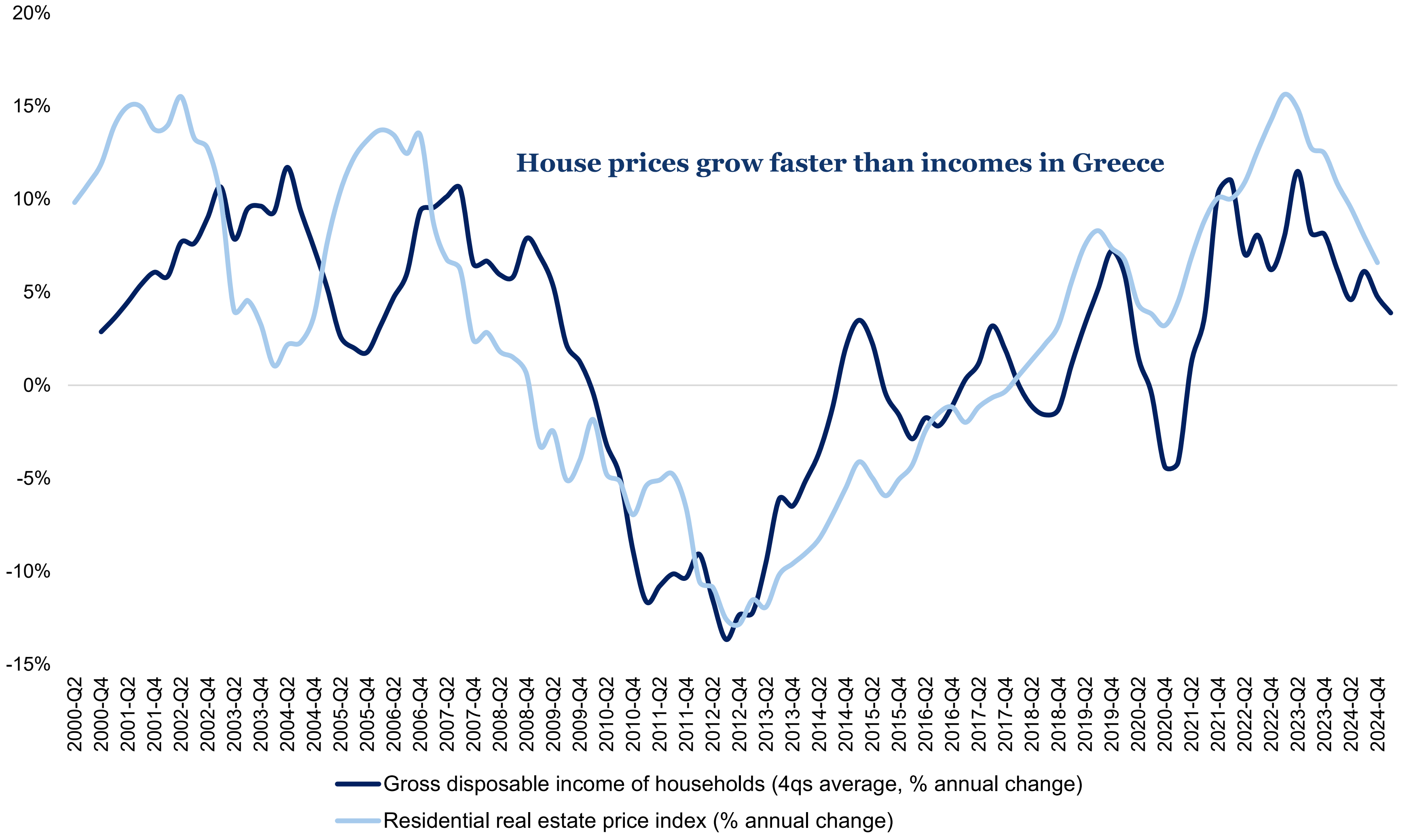


- Over 2/3 of the housing stock was built before 1990, a prevalent characteristic of all regions across Greece.
- Only 2.6% of the existing housing stock was constructed since the onset of the sovereign debt crisis, owing to low construction activity during that period.

- Residential investment in Greece represented a key element of economic growth in the pre-crisis period.
- Contrary to the euro area- where residential investment as % of GDP remained broadly constant over time- in Greece it exhibited high variation over the past 30 years, in tandem with the phase of the business cycle.

Source: ELSTAT, 2021 Population-Housing Census

Aspects of Housing Affordability

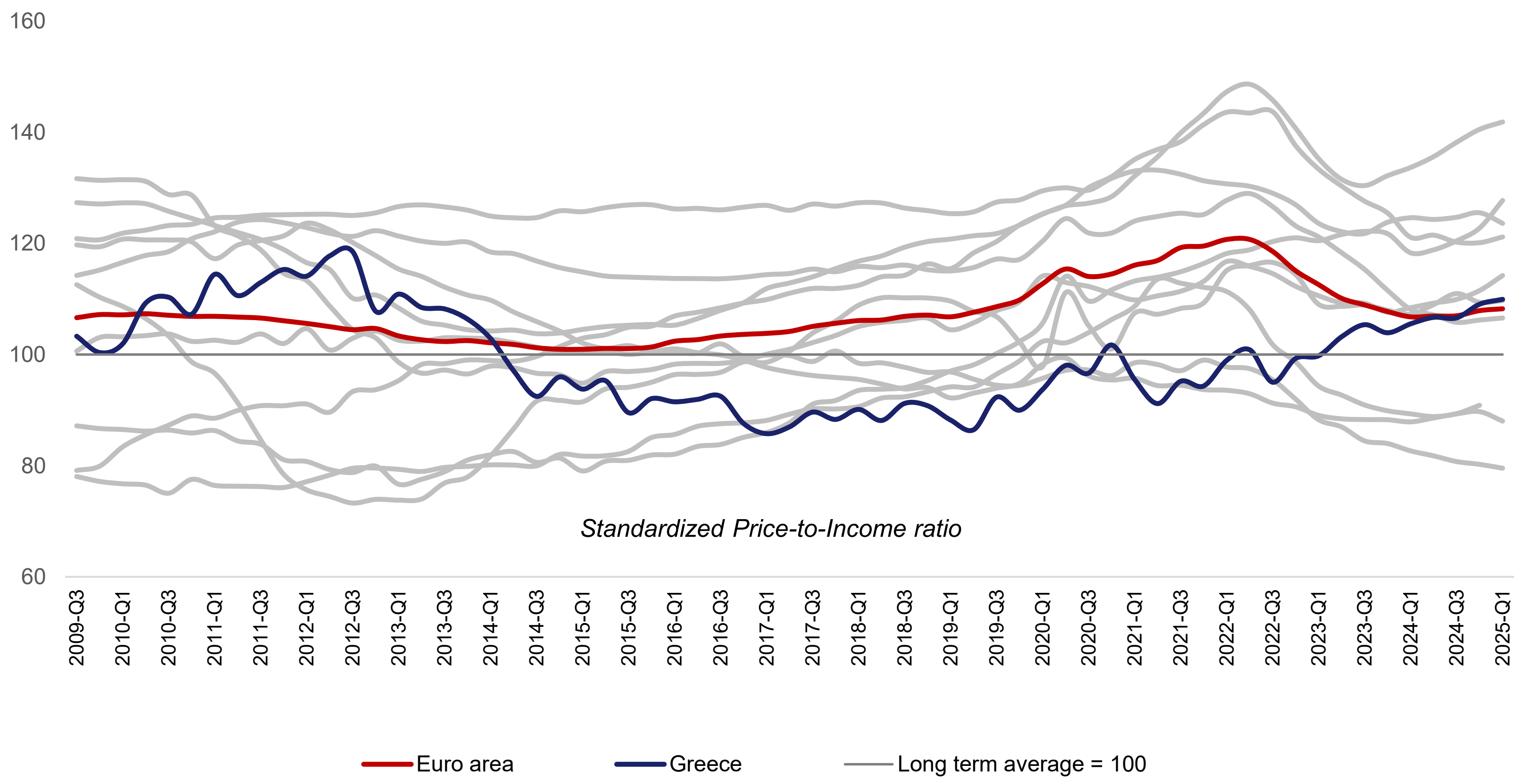


- Greek Crisis: Disposable income of households cumulatively declined by 32% during 2009-2017.
- Housing Prices: From peak (Q3 2008) to trough (Q3 2017), nominal house prices dropped by 42%.
- At the current decade both are rising, with house prices growth outperforming households' income.

Source: Eurostat, Bank of Greece

(*) Provisional data.

Housing affordability pressures across the EU



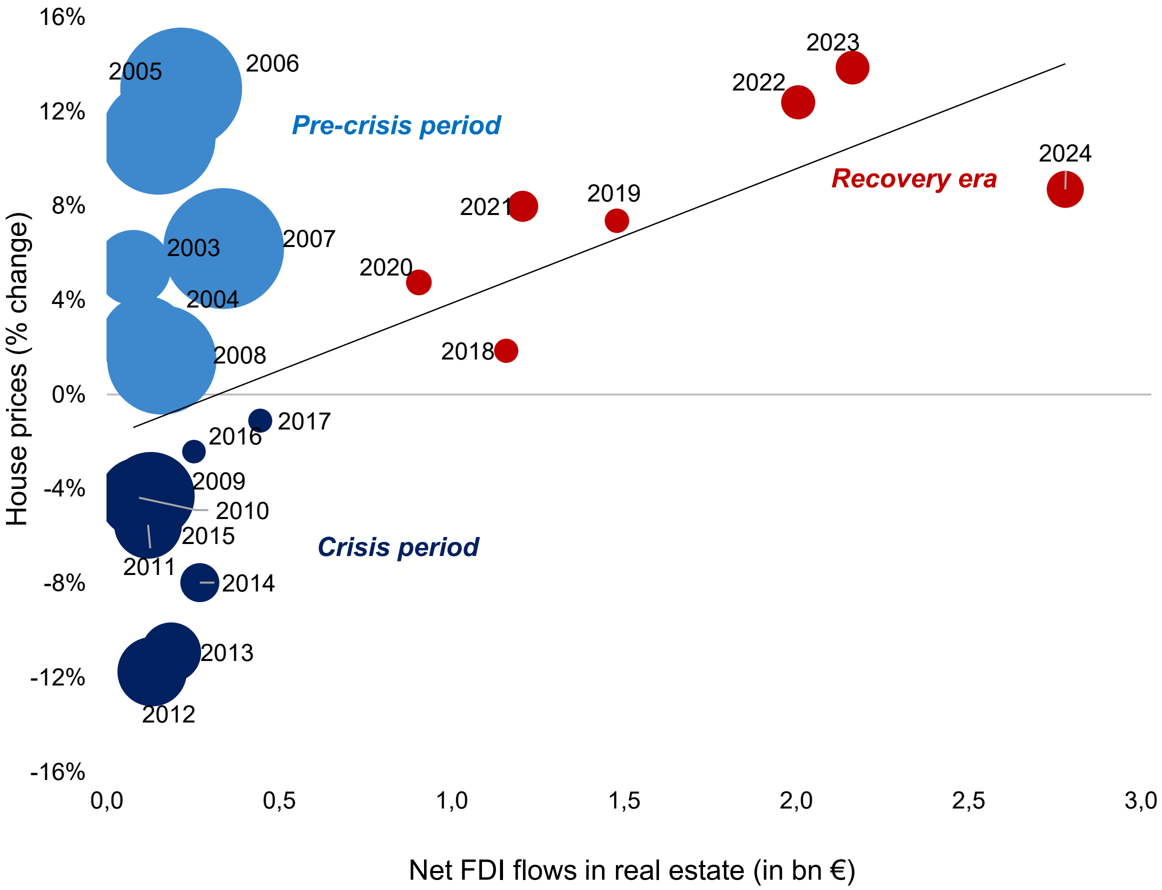
According to the definitions in the OECD (2024a), "Prices: Analytical House Price Indicators": "*The standardized price-income ratio shows the price-to-income ratio relative to its respective long-term average. The long-term average, which is used as a reference value, is calculated over the whole period available when the indicator begins after 1980 or 1980 if the indicator is available over a longer time period. The standardized ratio is indexed to a reference value equal to 100 over the full sample period. Values over 100 indicate that the price-to-income ratio is above its long-run norms, providing an indication of possible housing market pressures.*"

- In Greece, the price-to-income ratio stands above the long-term average signifying further affordability pressures.
- The respective euro area metric trended downwards from mid-2022 and during 2023, while it remained broadly flat in 2024.

Source: OECD

(*) Provisional data.

House Prices Cycles and Greek Idiosyncrasies



Note: The **size** of the bubble represents the **gross flows of new housing loans**. The **colour** of the bubble highlights the **house cycle phase**, i.e. pre-crisis (light blue), crisis (dark blue) and recovery era (red).

Source: Bank of Greece

Three distinct periods in recent history:

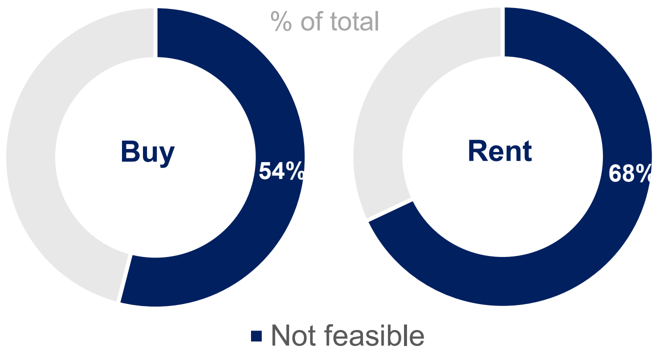
1. **Before the global financial crisis of 2008 (bank lending episode)**:
   - High rates of change in house prices, largely driven by a surge in mortgage lending, as evidenced by the substantial increase in the size of the bubbles.
   - The level of FDI flows was relatively modest.
2. **Economic crisis:**
   - Significant decline in residential property prices, with a 42% cumulative reduction from the peak in 2008 to the trough in 2017.
   - Still low FDI.
   - Decelerating credit growth.
3. **Recovery period**:
   - Recovery in house prices, primarily driven by FDI in real estate, largely due to the substantial growth of the home-sharing economy and the Golden Visa program.
   - Decoupled with mortgage lending, which remains subdued.

Decoding Housing Affordability in Greece

Key 2024 Survey Takeaways

Homeownership is both a widespread phenomenon, and the primary preference of Greeks

How feasible is it to buy or rent a house?



- **More than half of tenants** (52%) **spend more than 30% of their disposable income solely on rent**.
- For **homeowners with a mortgage the respective share is 42%.**

Three demographic groups of interest were identified as crucial in shaping future housing demand:

✓ **Young people aged 18-34 living with a partner,**

✓ **Young people aged 18-34 provided with accommodation, and**

✓ **Married people currently renting.**

- **Demand for new housing** is primarily influenced by the extent to which housing needs are met by the current dwelling, which seems to be considerably higher for owners than for tenants

- The **limited supply of houses within budget tops as the prime consideration** looming over prospective buyers, underlining the growing affordability challenges.

Sample and Methodology of the 2024 and 2025 Surveys

Methodology

- ❖ The surveys were conducted by QeD.
- ❖ Mixed mode surveys with around:
  - 50% of interviews conducted through the telephone (Computer Assisted Telephone Interviewing-CATI) and
  - 50% online (Computer Assisted Web Interviewing- CAWI).

Sample

- ❖ 2024: N=2,019,
- ❖ 2025: N=2,025, representative country-wide samples aged 18+, stratified by gender, age and region.

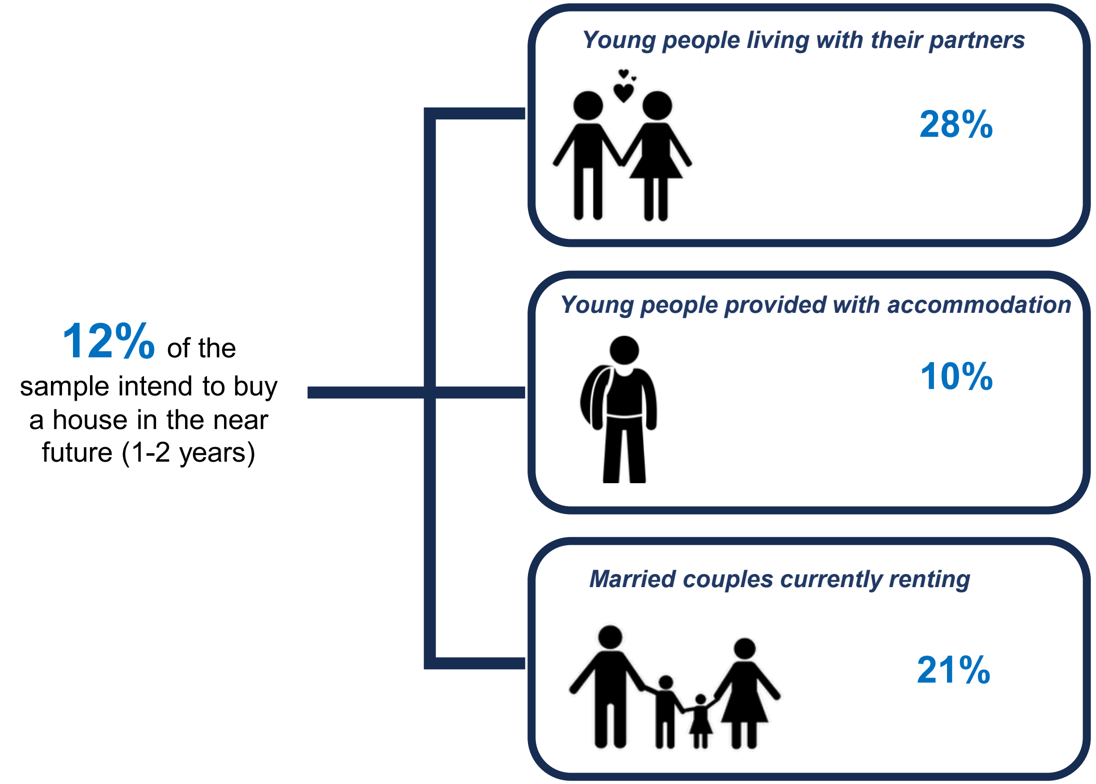
Fieldwork:

- ❖ 2024: Telephone/ Online: 10.5-6.6.2024
- ❖ 2025: Telephone: 10-27.6 2025 & Online: 27-31.3 and 19-24.6.2025.

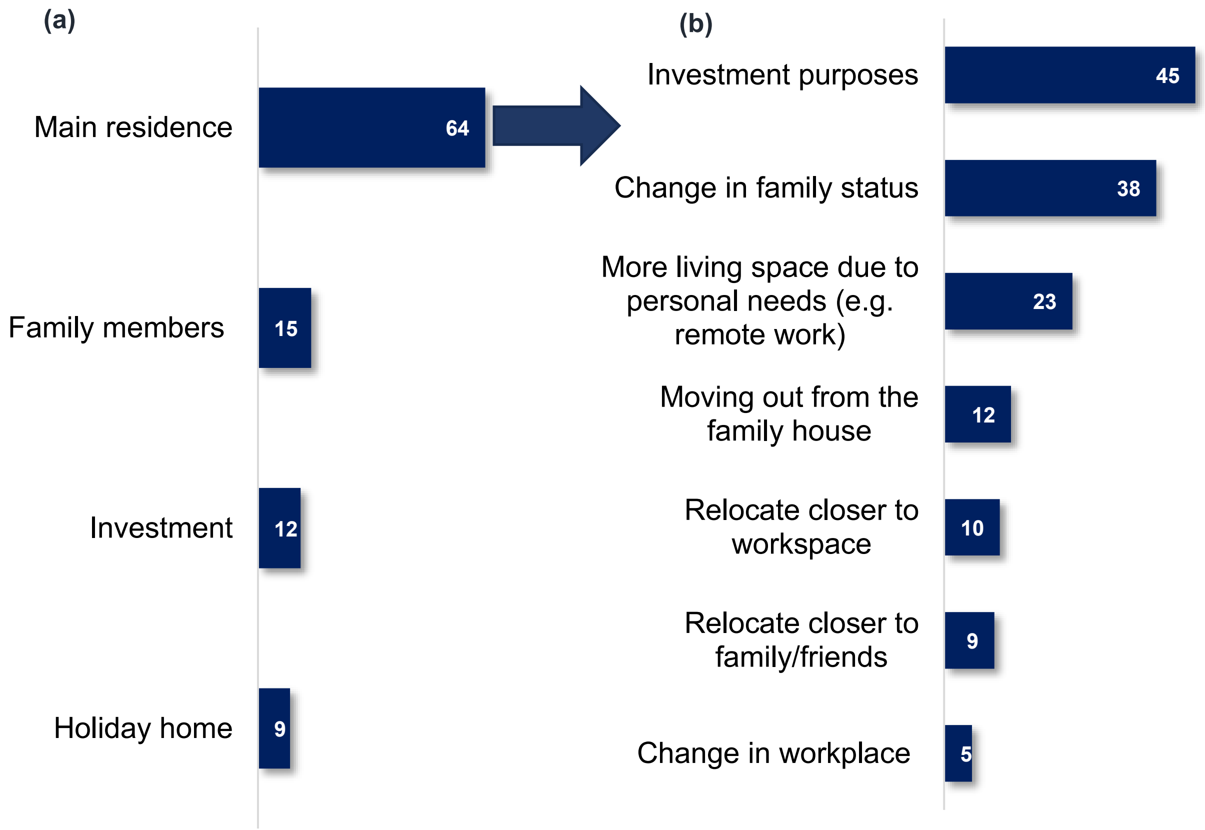
Source: "Survey results: Housing market in Greece", QED for Alpha Bank, June 2024

Purchasing a Housing property: Economic and Family-specific Demand Drivers 2024

Intention to buy a house

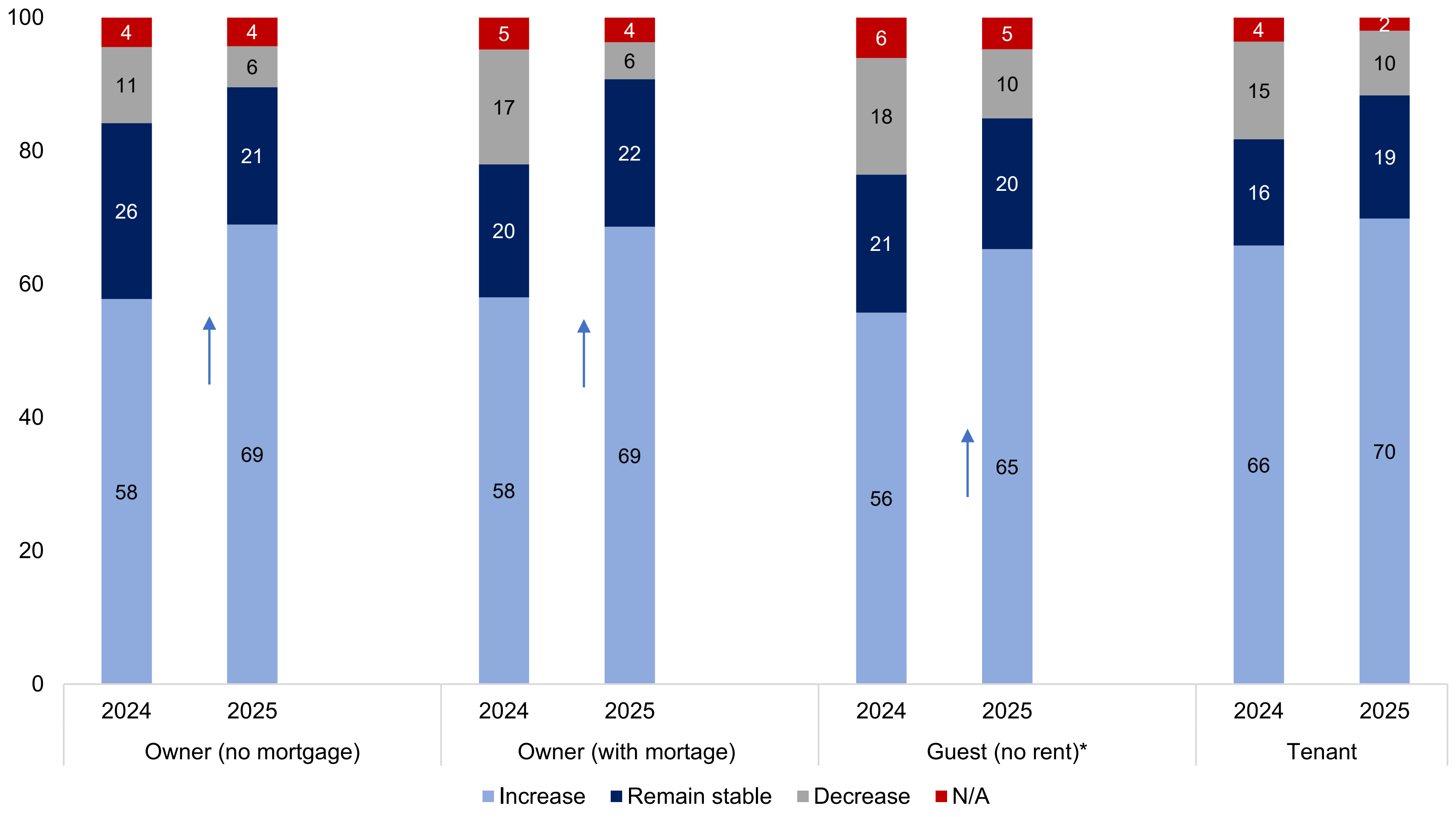


(a) Reasons to buy a house and (b) core motivation for those intending to buy main residence



Medium-term Expectations on Rents by tenure status: 2024 vs. 2025 survey

% of total



** Individuals provided with accommodation*

Looking ahead, 7 out of 10 Greeks believe that house prices and rents will continue to rise over the next five years

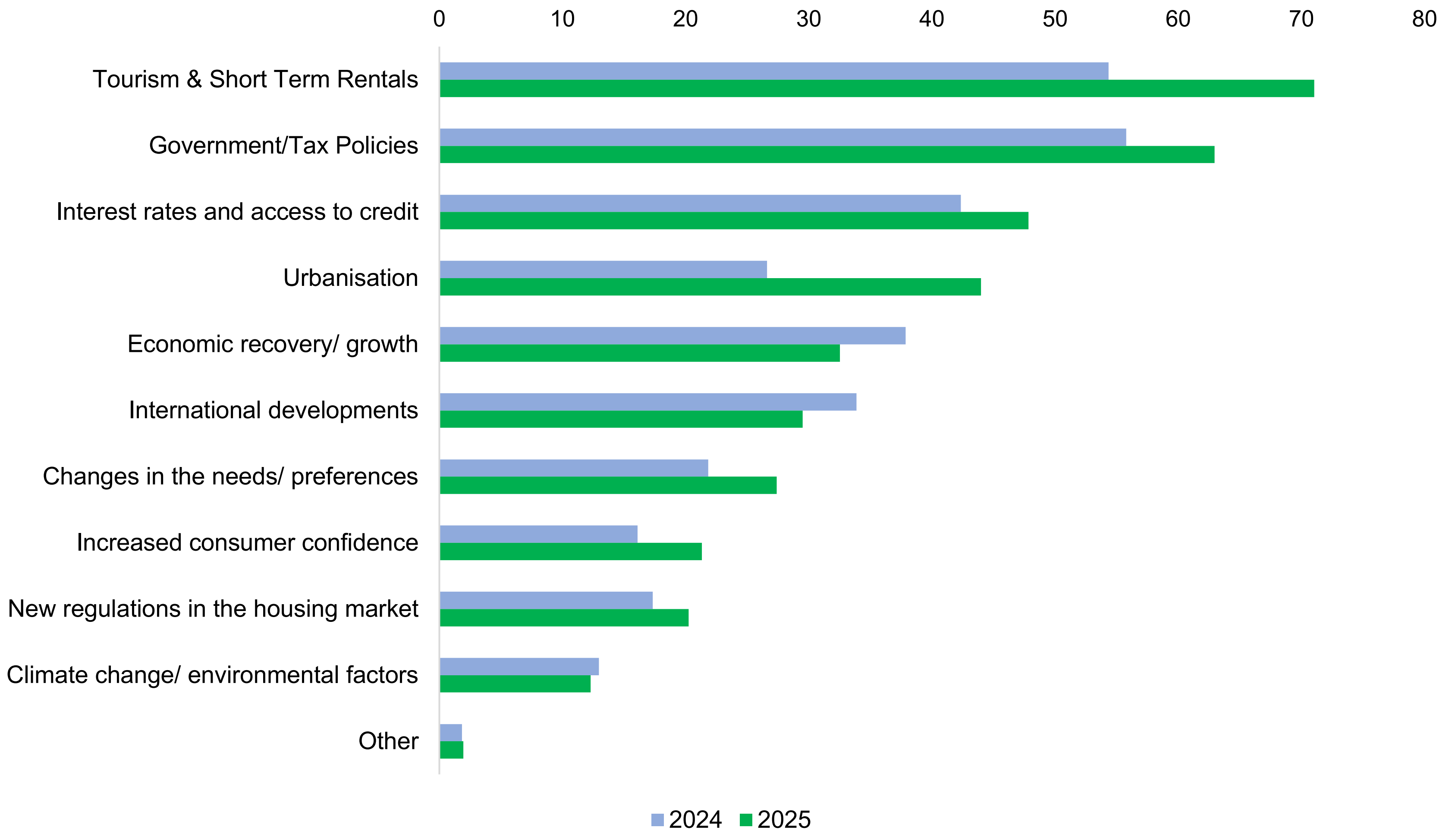
- Tenants consistently register the highest shares in terms of expectations on rent increases.
- However, in the current juncture, expectations on rent increases appear higher across all tenure categories.

Q: What are your expectations on rents in Greece in the next five years?

2024: N=2,019; 2025: N=2,025

Key factors determining the evolution of house prices and rents in the medium term

% of total



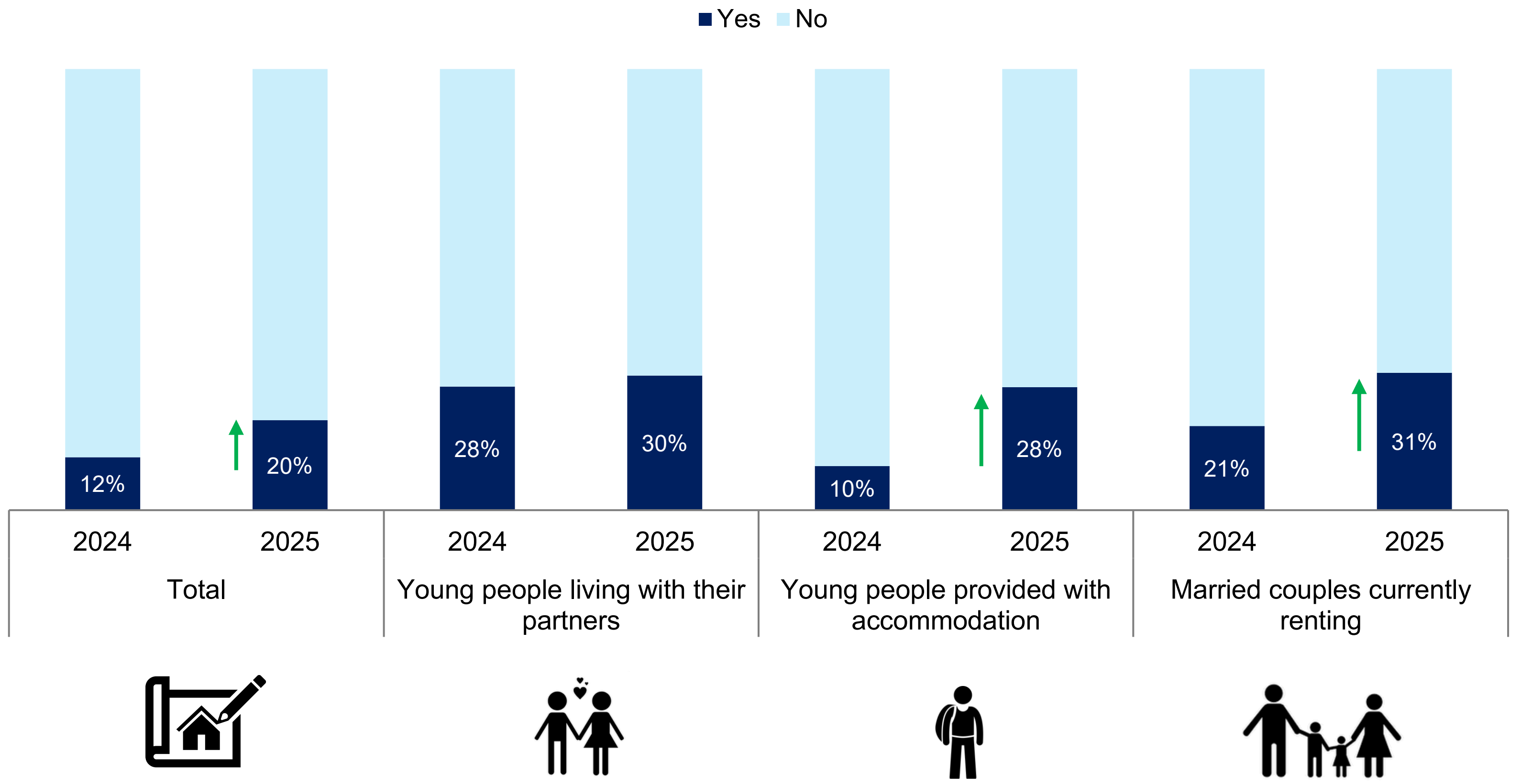
- Tourism and the home sharing economy, along with government and tax policies, are perceived as the most important factors affecting home prices in the near future.
- Access to financing is consistently considered as the 3rd most important reason, while the importance of urbanization is strengthened.

Q: Which of the following factors do you expect to impact house prices/rents in Greece in the next five years?

2024: N=2,019; 2025: N=2,025

Intention to buy a house

% of total



- Intention to buy a house increased by 8 percentage points in the 2025 survey.
- Specifically for tenants this share rose from 18% in 2024 to 31% in 2025.
- These increases can be related to the launch of My Home II in January 2025.

Q: Are you planning on buying a house in the near future?

2024: N=2,019; 2025: N=2,025

Policy proposals and private initiatives

Increasing Supply

- Boosting construction activity, through **resolving regulatory uncertainty**
- Thorough review and registration of the **disclaimers of inheritance** due to former debts
- Restarting the housing policy in a sustainable way
- Further **regulation of short-term rentals**, so that a reasonable number of properties returns to the long-term rental market
- Bolder measures to **encourage the rental of vacant buildings** where possible

Banking Sector Initiatives

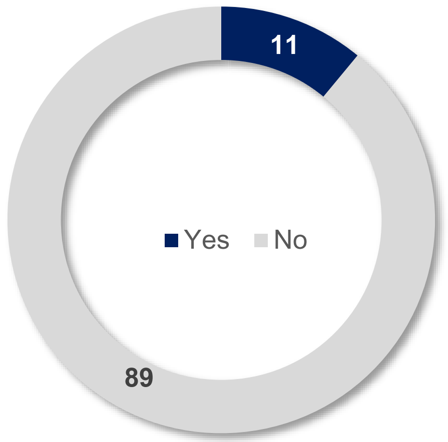
- Development of **specialized housing loan products**, directed to young people and those starting a family, with preferential terms
- **Investment financing** of social and affordable housing projects and **renovations/ reconstruction** of available vacant houses

Public-Private Sector Collaboration

- Public-private partnerships for the **construction of affordable or social housing**
- The State can provide **land and/or vacant buildings**, while the **banks** may offer investment loans to real estate developers
- These housing projects would be made available by the State, opting **either for buying or renting below market prices**, or even provided for free, to eligible social groups
- These schemes may be complemented with **subsidies from European funds**

Reason for not using vacant houses 2025

% of owners with an unused/vacant residence



Per region

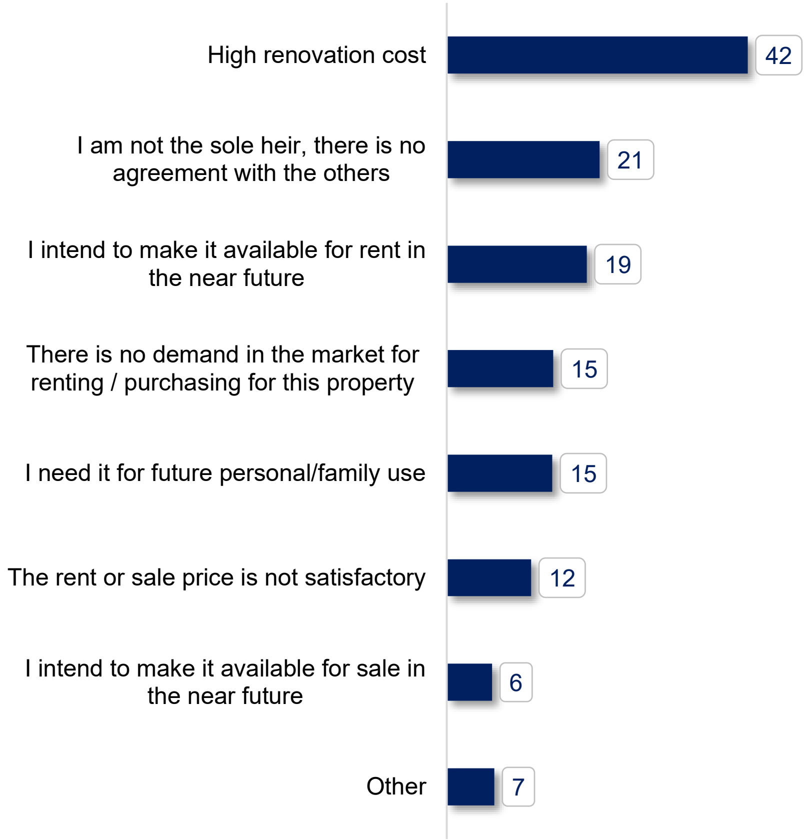
Attica: 7%

Thessaloniki: 11%

Non-urban areas: 14%

Reason(s) for not making use of vacant residence

N = Owners with an unused/vacant residence



- One in ten respondents has a vacant/unused residence. This share rises to 14% in non-urban areas.
- The main reason is, by far, the high cost of renovation of the property, followed by shared ownership with others.

Q: Are you the owner of a residence that is unused/vacant? For what reason(s) is this residence unused/vacant? N=2025

Thank you