

NO END IN SIGHT FOR PROPERTY MARKET SLUMP (29 10 10)

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No end in sight for property market slump

House prices and office rentals seen as declining further; Athens least-preferred European capital for new branches

House prices will decline further in the fourth quarter of 2010 but only to a limited degree, a realtors' survey suggested this week.

Provisional data in the report, prepared by the Bank of Greece, the country's central bank, were presented at the Prodexpo 2010 real estate conference on Tuesday.

Property transactions in the first half of the year were down 35.7 percent, year-on-year. In the same period, investment in housing represented just 3.9 percent of gross domestic product (GDP), compared to an average of 7.7 percent in the 2000-2006 period. The realtors who participated in the survey reported an 11 percent decline in house prices for the second quarter of 2010.

On the whole, those surveyed believe that the market slump is

partly due to the hike in property taxes earlier this year and that recovery will come when households' outlooks improve, banks start disbursing more mortgage loans and the country's fiscal problem is addressed.

Until then, the housing sector, which accounts for more than 80 percent of household wealth, will continue to stagger, the report suggests.

According to economist Prodromos Vlamis of the University of Cambridge, who spoke at the conference, in contrast to other

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Prices have not yet receded as much as is warranted by market fundamentals

Western economies, the slump in the Greek property market came as a result of the fiscal and banking crisis rather than the recession. He also took the view that prices have not yet receded as much as is warranted by market fundamentals.

"This is because most developers are small family businesses, almost without debt, and many of them still have liquidity available due to the high profitability they enjoyed in years past. Thus, they can be patient enough not to reduce prices," Vlamis said.

Theodoros Haragionis, of the large development firm of the same name, noted that "the market is taking steps backward, with rents declining and a proliferation of shops shutting down."

He said that the recent decisions by foreign retail chains Aldi and Fnac to shut their Greek operations have caused a further deterioration in the market climate.

In spite of this and the cancellation of several other investment projects, two more malls are scheduled to open by the end of the year – Athenian Capitol, on the corner of Ioulianou and Tritis Septembriou streets north of Omonia Square, and Metro Mall, next to the Aghios Dimitrios metro station.

The picture is not much different regarding the office space market, according to Niki Sympoura, managing director of **Cushman & Wakefield** in Greece. In the last 18 months, she says, rents in Athens have declined between 8 and 30 percent, depending on quality



and location, and are expected to decline further – to a degree greater than that in other European cities.

A survey based on responses from the heads of Europe's largest 500 companies showed Athens as the least preferred among 37 capitals on the continent for opening a new branch of business.

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