



Eurobank Property Services

“Commoditisation of the Greek residential property market”



ACCESS A WIDE RANGE
OF **REAL ESTATE CHOICES**

Research & Analytics Division

Regulated by RICS



Home Rental Platforms

- Airbnb, HomeAway, Turnkey, Blueground etc.
 - ❑ Some Airbnb Stats
 - Athens: 5.557 active hosts in athens and 9.240 active rentals
 - Thessaloniki: 1322 active hosts and 1.924 active rentals
- (07/11/2018 - AirDna MarketMinder SM)



welive



HomeAway®

Property Ad Databases and Valuation Tools

- XE, Spitogatos, Hometrack, Zoopla etc.
- Electronic ads, automated valuation tools and electronic auctions speed up the search for houses and allow the discovery of values and the completion of transactions faster



Zoopla



New types of workplaces

- WeWork, IWG ...

wework



Financing

- Digitisation of documents required for the origination of mortgage loans – certificates, applications, valuation reports
- Connection of databases – faster credit assessments using common origination platforms
- Electronic banking and financing at amazing speeds

New patterns of living

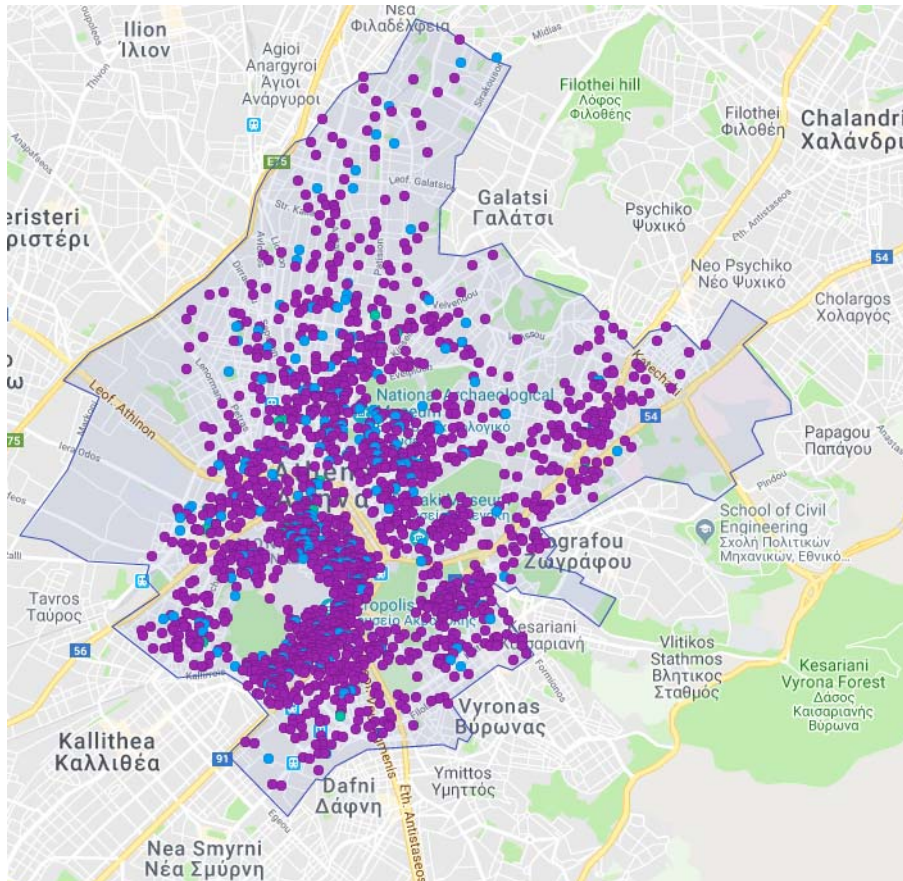
- We are on the move. We use transportation apps, food delivery apps and so on.



No great need for a laptop anymore. Just a smartphone will suffice..

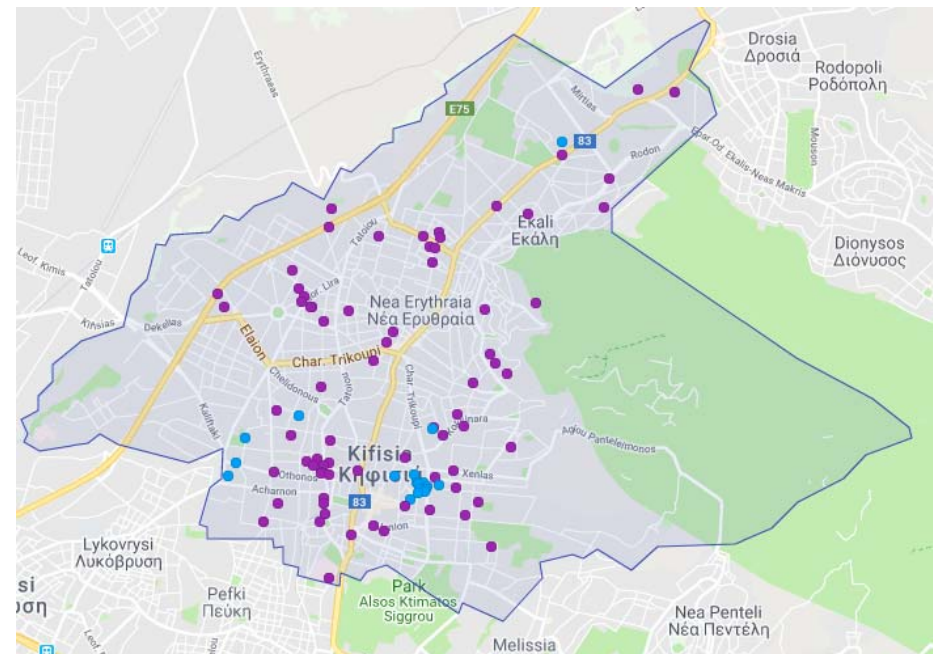
So, let's focus on home rental platforms such as Airbnb

A clear contrast – Athens vs Kifissia / Ekali

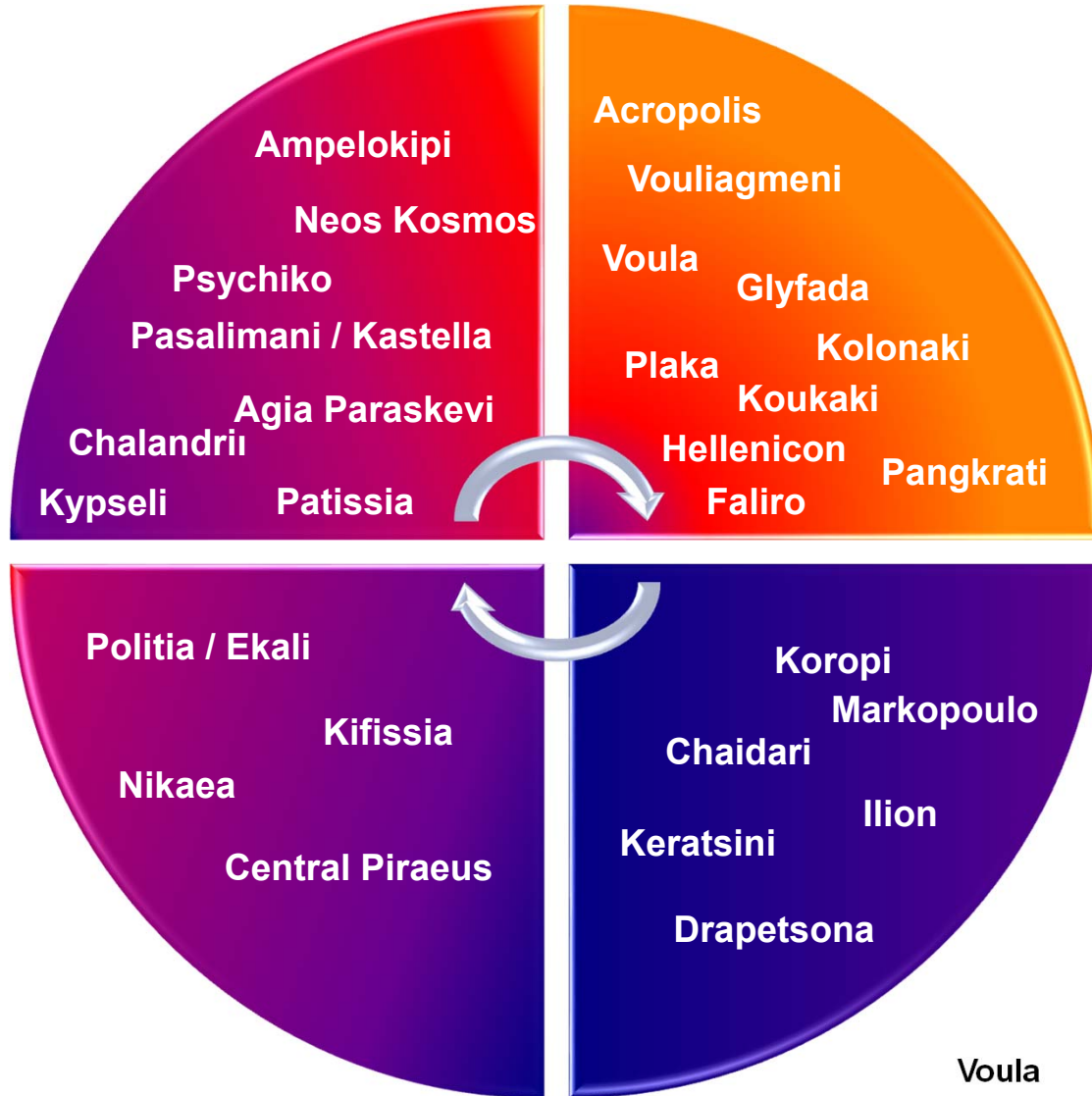


Source: AIRDNA

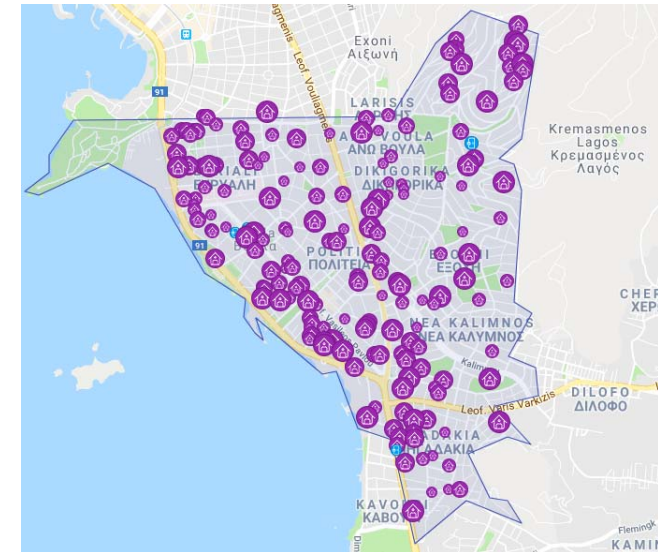
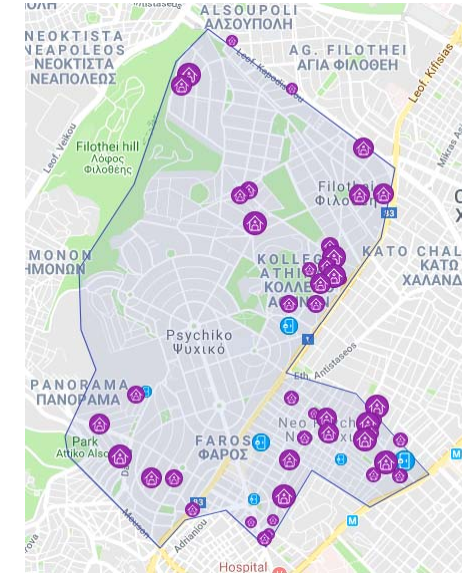
- Where there is a clear interest for tourist rentals, there is a higher concentration of short stay residential properties
- This has led to rent inflation and diminished supply in areas such as Koukaki
- On the contrary, in other areas there no such effect



A clear contrast – Psychiko vs Voula

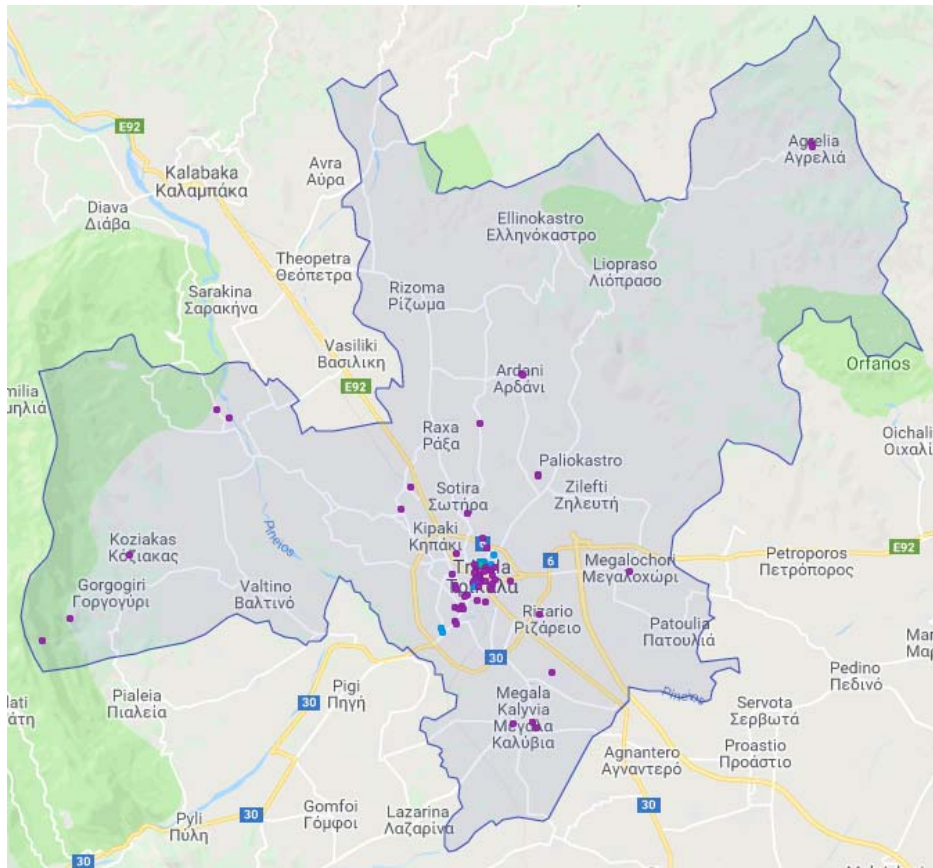


Psychiko & Filothei

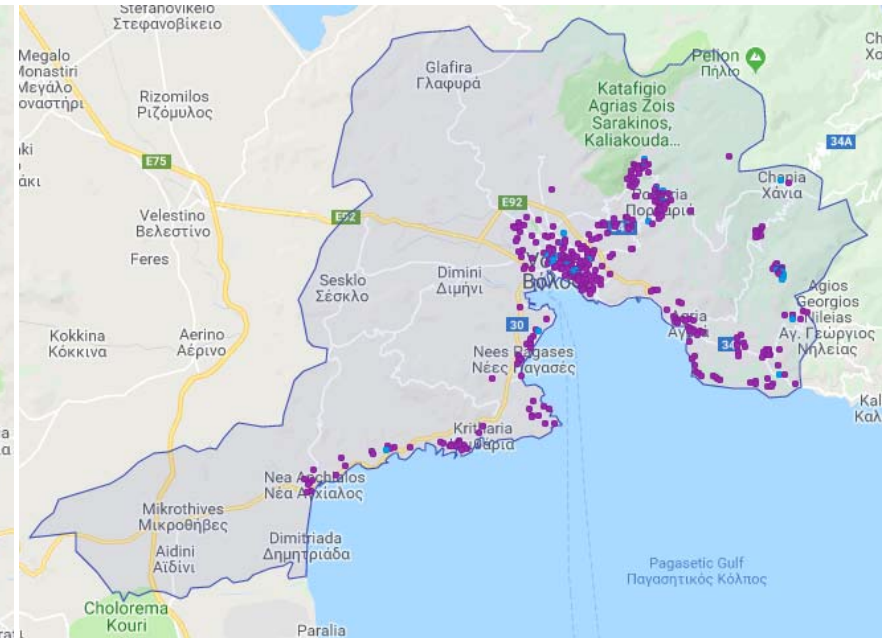


Source: AIRDNA

A clear contrast – Volos vs Trikala



Trikala



Volos

Source: AIRDNA

- There is a clear distinction between those areas that have a seafront and those that do not, which thus do not attract extensive tourist numbers

The flurry of data and the lower cost at which data can be collected, transmitted and stored has positive effects

- The analysis and transformation of data into useful services offered at an affordable cost
- More transparency in the market levels the playing field
- Property searches, surveys, and valuations become easier and faster
- Transactions are also enabled as with the increased the availability of data as informed decisions become easier
 - ❑ The various factors which affect the value of a property (rent / price) are more easily and accurately specified and their effect quantified, i.e.
 - a person can more easily assess the price differences of properties facing a park and of those that are not, when they search in an property ad website using a map search.
 - ❑ For example, an agent should be more mindful of the asking prices she / he mentions to prospective buyers when they can search comparable properties in the area while they view a property...
 - ❑ Thus, unjustifiable price differentials between houses due to vague reasons start to gradually disappear and standardisation takes place, despite the everchanging hypes that affect all markets (mobile phones, cars, clothes, as well as houses)
 - ❑ Market efficiency

Property related professions change

- ❑ All participants need to become aware of the new conditions of their profession as the market is disrupted in previously unforeseen ways and speed
- ❑ New tools such as AVM valuations become available and their use widespread, redefining both the required skills and the scope of work. Database and in general technology skills gain importance
- ❑ There is moreover a distinction between valuations which take place for mortgage and for consultative reasons
- ❑ So.. the property market, both in terms of the services related to the transactions and the object of the transaction, becomes more and more homogenised
- ❑ ...and, commoditised

Of course, there is another factor whose effect has been defining... Mortgage financing

- As the mortgage market has matured and the pursuit for leverage pushed the boundaries of the market further and further, the residential property market gradually started taking financial considerations seriously into account
- The property becomes an investment vehicle, irrespective of whether there is financing attached to it
- The market becomes more prone to speculation
- Owners – Users become or are replaced by Owners – Investors

Commoditisation and its effects

- Investors see properties as a source of income and capital gains
- To allow its use, the property needs to produce income, otherwise it remains empty
 - ❑ For example, properties converted to tourist rentals, often remain empty during the low season
- If an owner can earn enough to pay related taxes and also a higher income than with a normal lease, why should they prefer the latter ?
- Gradually, areas of interest change as houses that were once used as living residences are now partially empty investment vehicles
- In the case of areas with high concentrations of properties converted to short rental oriented, asking rents and prices increase
- Additionally, lower income residents i.e. blue collar workers, students etc. are pushed out, towards lower income suburbs
- Since they work in the centre of the city, they have to spend a lot of time for their daily commute
- Furthermore, in areas where the resident population diminishes, schools lose students and close down; a spiral
- The vibrancy of the city is partially lost due to its residents not being present or due to a lower concentration of residents per 1.000sqm, especially during low activity periods
- So, let's put that in a frame...

Commoditisation and its effects



UK



France



South Africa

Commoditisation and its effects



Source: The Telegraph



Source: Business Insider



Source: www.saatvamattress.com/blog

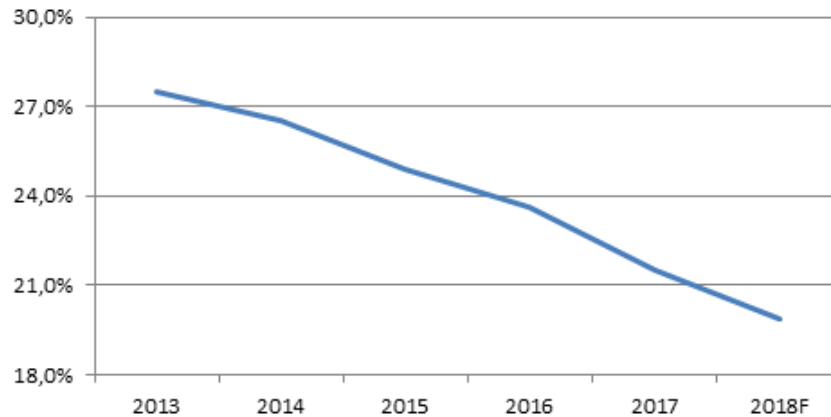
Commoditisation and its effects

- Definitely an issue of equality, democracy and a clear indication of the effect of putting considerable weight on the financial aspect of real estate – it becomes a major concern and guides decisions of property owners
- Uncertainty about staying in a house over the long run
- Is Greece facing a similar situation ?



Source: Kathimerini.gr

Ανεργία %

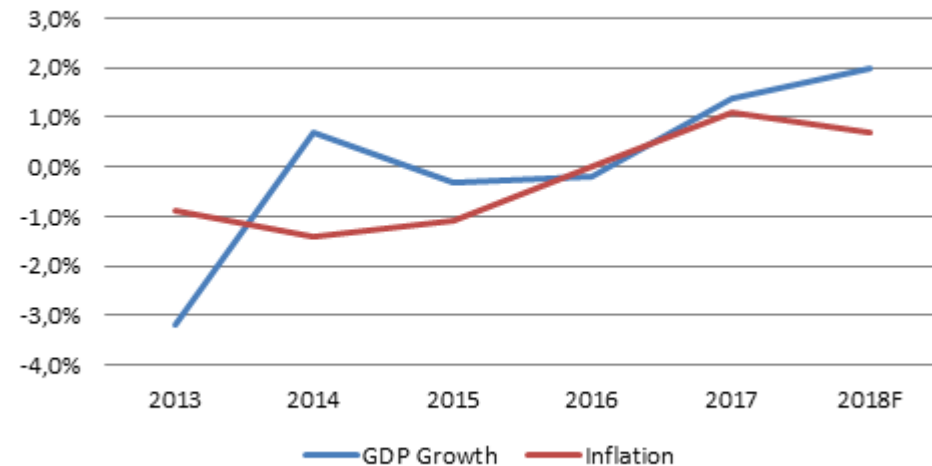


Source: IMF

- GDP is improving but at a slow pace
- Inflation has also turned positive, partially verifying the increased activity recorded in the market
- The IMF forecasts that Greek GDP will grow at 2% in 2018.

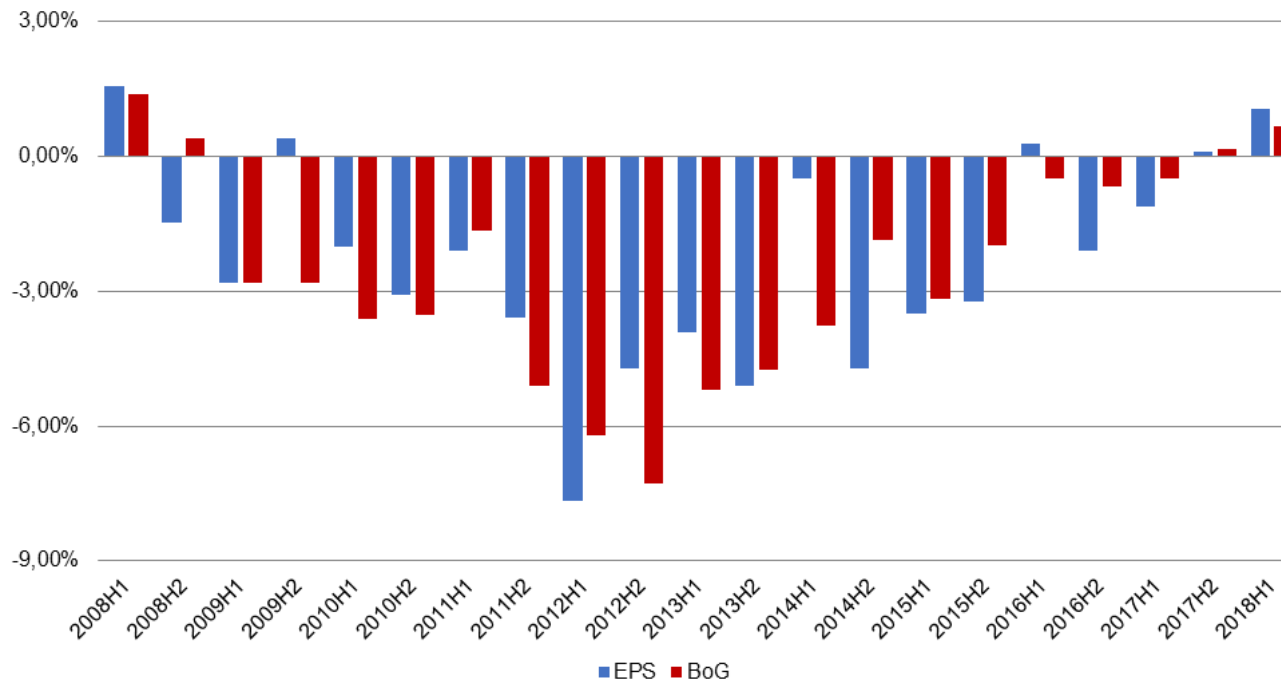
- Unemployment de-escalates but remains high.
- Seasonal and part-time employment remain large share of the employment mix in Greece.
- Unemployment is forecasted at 19,9% for 2018.

Μεταβολή ΑΕΠ και Πληθωρισμός %



Source: IMF

Δείκτες Οικιστικών Ακινήτων - Εξέλιξη Τιμών 2008H1 - 2018H1



Source: Bank of Greece, EPS Research & Analytics Division

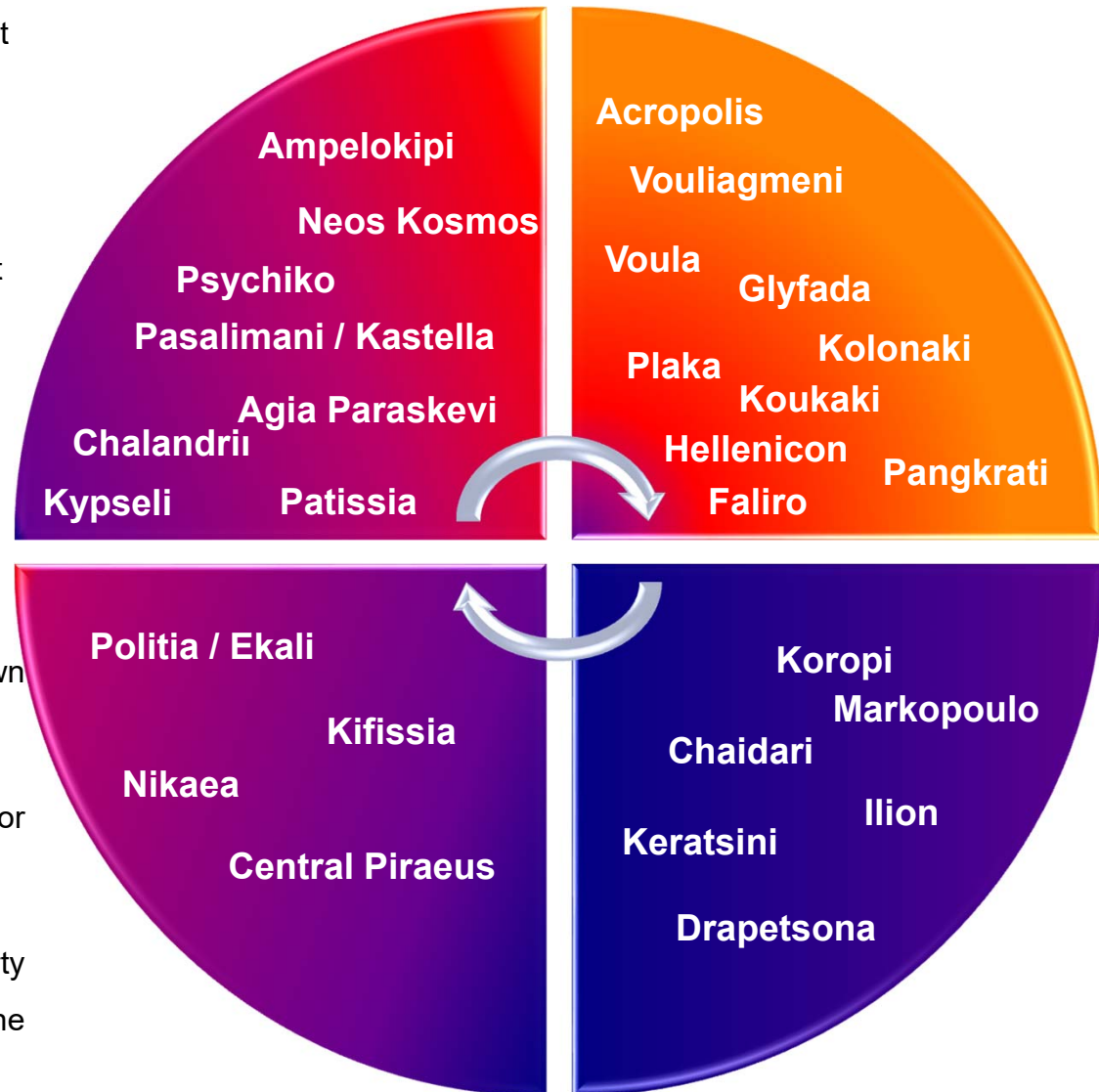
- In the second half of 2017 the price increases started being recorded, a trend which is gradually becoming more solid in 2018 H1 (+ 1.0%).
- The cumulative drop in residential property, from the average price levels of 2008 until the 2nd quarter of 2018 was 38,6% according to the Eurobank Property Services Residential Property Price Index και 41,5% according to that of the Bank of Greece.

Note:

Differences in the figures and changes between the indices from the two sources is due to different calculation methodologies, but also to the different mix of properties used for the calculation of each index.

The Greek Residential Property Market

- Grouped based on recorded buyer interest
- The seafront of Attica and its historical centre are in the first line of interest
- For those areas, demand to a large extent originates from foreign buyers who are interested either to stay or to achieve investment returns
- There are still areas where interest is considerably low
- Overall, price decreases have slowed down and the first increases are becoming felt
- Increased interest to convert properties for short term rentals remains
- Increased activity of residential property repairs in areas other those located in the epicentre of interest



Some special characteristics:

- High rate of home ownership
- Office employment is not highly concentrated in the CBD of the city
- A long term financial crisis which has predominantly affected the property market creating NPLs
- We are at the bottom of the market
- There are many degraded areas which are not far from central locations and the price differentials can be remarkable. The centre of Athens is not like the centre of Paris or the centre of London...

Yes, commoditisation can be negative

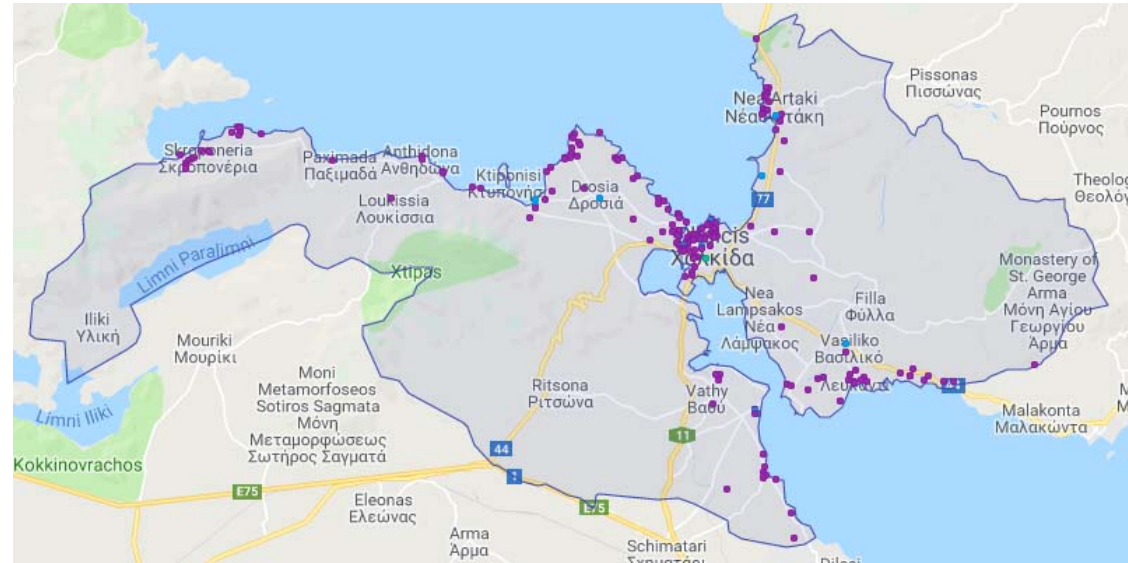
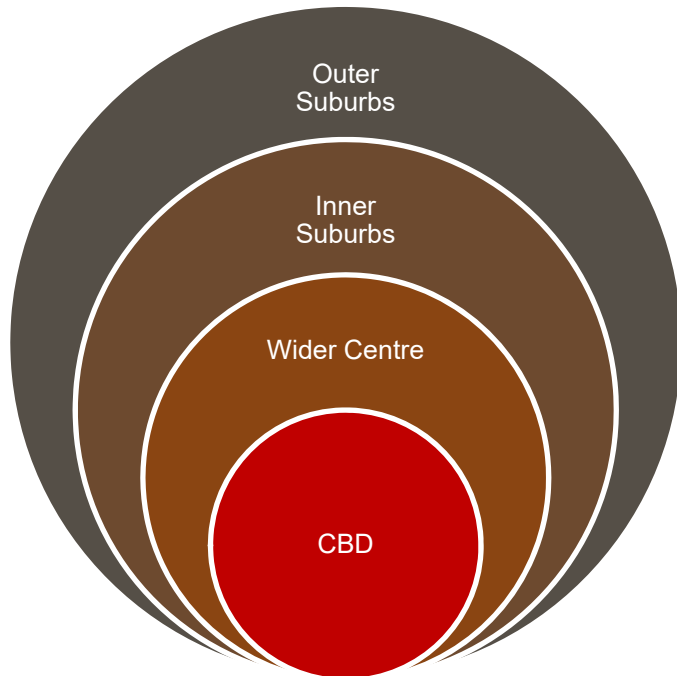
- For example, students and other residents face difficulty to find cheap housing in some areas

But, commoditisation can actually have a positive effect

- In Greece there is a more than adequate stock for residents and foreign investors to move into but also to invest in
- Degraded areas can regain life
- What becomes important though is the availability of good schools in those areas, a transportation network which allows commutes affordable, quick and reliable

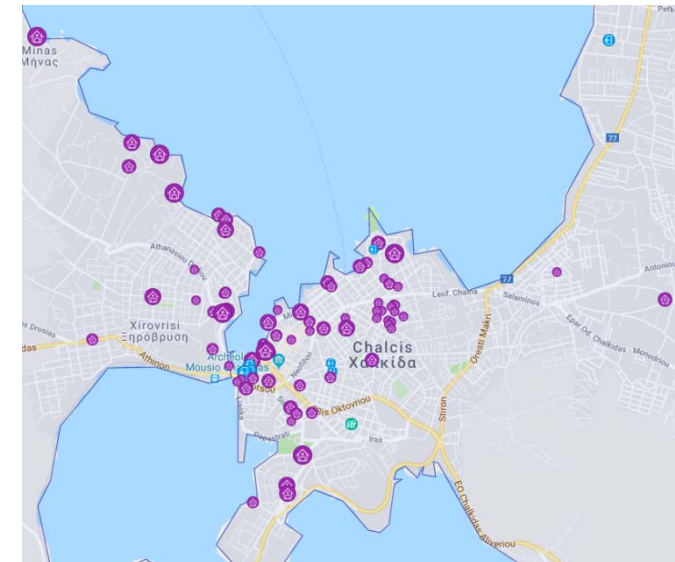
Commoditisation - Greek Residential Property Market

- Despite the problem imposed by the conversion of residential properties into investment assets, the magnitude of the problem varies
- In the case of Chalkida, there is adequate residential property stock in walking distance from points of interest



Source: AIRDNA

Chalkida



What can and cannot be done

- Reverse the technological evolution – will not happen...

On the contrary, what can be done

- Taxation
 - ❑ Not only will it address the issue of paying for the increased use of infrastructure such as the water supply network, the electricity network, roads but also for policing etc.
 - ❑ but also it can enable the financing of projects in underrun neighborhoods such as parks, new pavements, lighting, regeneration projects and the retirement of obsolete stock
 - ❑ And finally it can provide the financing for subventions to owners who rent to lower income users
- Limitations (many of which already exist)
 - ❑ Impose a maximum number of days for short term rentals and develop effective oversight mechanisms
- Accept the fact that the property market is becoming more fluid and fast paced. Accept that and allow new hospitality formats, affordable alternatives; the full range of hospitality offerings, even capsule hotels..
- Greatly improve the transportation network
- Allow the technological advancement to help users find houses with greater ease, while preventing discrimination patterns..

Capsule Hotels



➤ Yeah, that's right.. Capsule hotels !!



Source: Booking.com

Thank you

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