

SIOBHAN
MAGUIRE

Invest in Greece? Mamma Mia!

The economy is in ruins and the angry population has taken to the streets. So why are agents saying it's a good time to buy property there?

What a difference a year makes. Last summer, even in the depths of the global economic crisis, Greece's residential property market was dining out on the success of *Mamma Mia!*, the big-budget film musical. Holiday bookings shot up, and Skiathos and Skopelos — the two islands where the movie was shot — were pitched as perfect locations to second-home shoppers.

The mood now is far more sombre, thanks to Greece's fiscal crisis and the European Union's multi-billion-euro bailout. As the country plunges deeper into recession, unemployment soars and pensions and public-sector pay are slashed, unhappy Greeks have taken to the streets. Mass rallies turned violent in some places and three people died when a bank was burnt in Athens.

Yet Greece is still tipped as an investment hot spot for Irish and British buyers this year. One overseas agency last week declared that the country had turned the corner.

"The Greek government has taken strong action to reduce its deficit and, with the €90 billion earmarked as a contingency fund from the EU, Greece can at last be seen to be on the road to recovery," says Robin Barrasford, managing director of Barrasford and Bird, a British agency that sells properties in Halcyon Hills, a resort in the southeastern tip of Samos.

"The economic challenges have offered two surprisingly good items of news for the Halcyon Hills project, arising out of problems. The first is that building costs have dropped. The second is that the Greek government, in conjunction with the EU, has 'ringfenced' the subsidy payment as it seeks to increase revenues from tourism."

Leaning towards the sunnier side of Greek life is to be expected when you have multiple apartments to shift. When a country's woes are as evident as Greece's, however, you have to wonder if selling agents simply need to face up to the facts. After all, why would Irish buyers want a second home in a country experiencing mass emigration and soaring unemployment?

Last month, the IMF said it expected Greek unemployment to reach 11.8% this year, up from 9.4% in 2009, and to peak at 14.8% in 2012. In February, the country's government announced that unemployment among 15- to 24-year-olds stood at 32%. Agents, however, in-

sist that the tourism and property markets will lead the recovery, even if the country is forced to leave the euro.

Mike Saunders, marketing director of Snobby Homes, a British developer that has been in western Crete since 2005 and sells primarily to the Irish and British, says: "Property prices in Greece are stable and culturally there is a fierce pride of ownership in land."

"Because of tight planning and taxation control, there is little possibility of 'flipping' a property to secure a profit between buying off-plan and selling on completion. Furthermore, there are bureaucratic and planning complications in securing an EOT, [a licence] which must be obtained in order to generate rental income [from your Greek property]. These difficulties have affected investors' keenness to buy in Greece."

"However, for those making a life-style purchase, if Greece leaves the EU or

loses the euro, the only real difference it will make in day-to-day living is that Irish pensions in euros will be stronger if the local currency is the drachma."

There are some factors in favour of investing in Greek property. First, property prices have stabilised in the aftermath of the global downturn but are lower than in previous years. Also, tourist destinations such as Corfu and Mykonos remain popular with holiday-makers thanks to cheap packages and strong flight links from Irish airports. This provides a rental boost for investor-owned properties in key holiday locations during the summer months.

Philippos Stratos, managing director of Elounda Real Estate, which sells properties in Elounda, northeastern Crete, says: "Greece is a country with a strong private sector — especially in shipping, tourism and real estate — and a weak public sector. The weaknesses of the

government's finances have adversely affected the economy over the last year, as the country entered the doldrums of the global financial crisis much later than other European countries."

"This has led to a decrease in property values, at an estimated average of 5%, in contrast to a decade of growth that saw annual appreciation rates of up to 15% in popular areas such as Elounda, Mykonos and Spetses."

Saunders says that foreign buyers are not put off by Greece's crisis and the number of inquiries to Snobby Homes has doubled since last year. According to the company, a newly completed development in Kamisiana, near the fishing village of Kolimbari, has sold out. A second site, in the village of Drapanias, near the market town of Kissamos in western Crete, is half sold. Prices start at €109,950 for a two-bedroom unit and €159,000 for a three-bed-

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"It has not been the dire financial situation in Greece that has affected the property market in Crete — it's the other way around," he says.

"The financial climate in Ireland and the UK has impacted on the ability of buyers from these countries to purchase. Credit became tight, houses prices in Ireland and the UK plummeted and buyers in these markets did not have the wherewithal to raise finance to buy overseas."

"Despite this, property prices in Crete have remained relatively stable and there has been none of the 'fire selling' seen in countries such as Spain."

A Knight Frank global house price index, published in April, said prices in Greece fell 3.6% in the year to December 2009. In the final quarter of 2009, prices dipped 0.7%.

But agents say some price drops are to be expected and Greece's lack of a

property bubble has made for a softer landing.

Piers Williams of Aylesford, an agency selling in Greece, says: "Greek property prices never reached the giddy heights that were being achieved in other European countries such as the south of France or Sardinia."

"Development was low, which kept the prime areas low-key. You can find many select villas with at least an acre of land. This has been and will continue to be what attracts the international investor to Greece."

"The public humiliation of the Greek economy and the concern surrounding the eurozone has not helped the cause, but it is not all doom and gloom."

"Naturally, there are bargain hunters who are looking for some distressed deals but, due to the lack of over-development in the key areas, these deals are hard to find. It has not really had a

knock-on effect within the overall market and prices have remained relatively steady."

Although the rush of Irish and British buyers predicted by some agents may not arrive — or at least, not this year — inquiries are rising.

If you do plan to buy, however, bear in mind that Greece has only recently completed a land registry, which has yet to take full effect, and a lawyer and a notary will be essential for even a simple land acquisition.

"When the market does begin to grow — which we won't see until at least 2011 — buyers should not let their heart rule their head," says Saunders.

"Never commit to stage payments; that means the developer does not have the funding to build. Pay a deposit by all means, but always get a written guarantee that your money is never at risk during the build process."

Wish you were here



Corfu from €950,000

Villa Karakousi is a newly built villa on an elevated site above the town of Kassiope, on the northeast coast. It has three bedrooms.
Agent: Aylesford, 00 44 20 7349 5100, www.aylesford.com
They say: It is reduced from €1.5m.
We say: It costs about €8,000 a year to run this villa.
Direct flights: Charter flights only. Otherwise, transfer in London.
Location: 2km from Kassiope



Crete from €1.6m

Diamond Residences is a scheme of three, four, five and six-bed villas in Elounda, northeastern Crete.
Agent: Elounda Real Estate, elounda-real-estate.com
They say: The villas have their own private garden and pools.
We say: Owners have use of the six-star hotel facilities nearby, but is this enough to convince buyers to part with more than €1m?
Direct flights: Charter flights only, with Monarch Airlines.
Location: 72km from Heraklion airport



Crete from €925,000

Istron Estates is a development of villas in Mirabello, close to Agios Nikolaos. The villas are built using local stone.
Agent: Aegean Blue Prestige, 00 44 845 838 5108, aegeanblueprestige.com
They say: Each villa has a private infinity pool, terrace and balcony.
We say: €925,000 gets you three bedrooms and three bathrooms.
Direct flights: As above
Location: 80km from Heraklion

Agents say popular Greek destinations, such as Assos on Cephalonia, will drive recovery