

## INTERNATIONAL PROPERTY REPORT: GREECE



Greece's Hellinikon airport was abandoned in 2001. A planned redevelopment includes hotels, high-rise residential tower, shops and marina.

### Athens Airport Attempts Takeoff

By ART PATNAUDE

As Greece attempts to climb out of its six-year recession, the real-estate market is looking to the poster boy of the country's privatization process: Athens's long-disused airport, Hellinikon.

The proposed €8 billion (\$10.55 billion) redevelopment of the site—just 5 miles south of the capital, at more than 1,500 acres, nearly twice the size of New York's Central Park, and featuring 2 miles of Mediterranean coastline—is as close as it has been since the site was abandoned in 2001, having been replaced by a new airport.

A thousand hotel rooms, high-rise residential tower, offices, shopping center, marina, aquarium and giant park are all part of the plan. The first on-site work in the 15-to-20-year project could start as early as 2016, according to Odysseas Athanassiou, chief executive of Lamda Development SA, the Greek developer heading an investor group that acquired the site for €915 million this year from the government.

So far, that money hasn't been transferred, the site remains in dusty disrepair, and Lamda—the only developer to submit a bid for the project this year, after its three competitors withdrew—potentially has years of bureaucratic

hurdles ahead before the first shovel of dirt can be moved.

"The risks are enormous," said Ana Vukovic, managing director of Greece and Serbia for U.S.-based property firm Colliers International. "But there is a lot of opportunity."

If successful, in addition to creating a new seaside destination in the capital city, the development could contribute 1.5% to 2% to the country's gross domestic product each year through 2025 and create 50,000 new jobs during that period, according to Lamda.

Hellinikon was one of the most highly prized assets the Hellenic Republic Asset Development Fund sold to the private sector. The Greek government is relying on privatizations to help pay back €240 billion in rescue packages from the European Commission, European Central Bank and International Monetary Fund, which it needed to avoid a default on its debts.

Overall, Greece hopes to raise €50 billion by selling assets. About four-fifths of that will come from real estate. To date, it has raised less than 10% of the overall goal.

The investors behind the project—including the Latsis family group that controls Lamda, Chinese investment firm Fosun In-

ternational Ltd. and Abu Dhabi-based investors Al Maabar—have committed €700 million and aim to raise more funds as the project develops, according to Mr. Athanassiou.

Other investors from Europe or the U.S. also could come on board, but no other groups have confirmed any commitments, he said.

The Hellinikon development still must be approved by various courts and Greece's Parliament. The next step will be approval from Greece's highest administrative court, from which "we are expecting a green light in September," said Andreas Taprantzis, executive director of Greece's privatization fund.

Until the deal officially closes, no cash will be transferred to the privatization fund. The first €300 million payment, out of the €915 million, will be paid after the last bureaucratic step, when, or if, Parliament approves the deal. The rest will likely be paid in yearly installments for four or five years, Mr. Taprantzis said.

In addition, the consortium has committed to €1.25 billion for infrastructure investment. Funds from investors will be bolstered with debt financing, Mr. Athanassiou said.

"This is a key project that the Greek banks, and maybe some

international banks working in Greece, taking into consideration today's conditions, would definitely support," said Konstantinos Vassiliou, head of group corporate and investment banking at Greek lender Eurobank Ergasias SA.

Greek government authorities are the biggest risk to the development in the form of delays, said Mr. Athanassiou. "If things were working the way they did before the crisis, I would have said we could start work in 2015" instead of 2016, he said.

Government-related risks were a big reason Israel's Elbit Imaging Ltd., one of the final four bidders, pulled out of the process, said Oren Kolton, Elbit's country director for India and Greece.

Mr. Kolton said one of his concerns was whether they would find ancient Greek ruins or heavily contaminated soil when they started digging.

"Usually, the government would give you some kind of indemnity; if you find something, we'll be in charge to dig or excavate or cover the costs," he said. "The Greeks didn't understand this. They said, if you find something, what can we do? It's your fault."

Elbit withdrew just days before the bidding process finished.

### Interest on the Rise For High-End Hotels

By ALKMAN GRANITSAS

PORTO HELI, Greece—For 20 years, the building had been an empty eyesore on the shores of this picturesque bay. Unable to keep up with the changing times, the 1970s-era hotel went bust, was seized by creditors, and eventually shut its doors in the mid-1990s.

Today, Greece's newest ultrachic, five-star hotel stands out on the location like a dazzling, postmodern sculpture visible from miles around. Rechristened the Nikki Beach Resort and Spa, it offers a Mediterranean cool ambience with well-heeled guests.

The hotel has only been open for a few weeks, but is already booked close to capacity for the rest of the summer, with rates ranging between €300 and €350 (\$395 and \$460) for a double room and up to €850 for a rooftop suite.

After several tough years, Greek tourism is on an upswing, attracting a share of the international jet set this summer. Celebrities like fashion model Naomi Campbell and actor Russell Crowe have been spied vacationing in the Greek isles this year.

And with the glamour, there is newfound interest by investors in Greece's high-end hotel sector. Investors recently have purchased stakes in several resorts in recent months, including the Astir Palace hotel, a luxury beachfront property, and the Amanzoe, which overlooks the Aegean Sea.

Industry observers said that over €4 billion of new investments are being planned, all of them in the four- and five-star categories.

"What can I say? St. Tropez is out, Mykonos is in," said Andreas Andreadis, president of the Association of Greek Tourism Enterprises. "Greece is in fashion again."

More than two dozen hotel projects stretching from Corfu to Crete are on the drawing boards. About half those projects are being financed by foreign private-

equity companies like Oaktree Capital Management LP.

The others are being planned by Greek-led investment groups. International firms, such as Hilton Worldwide Holdings Inc., Four Seasons hotels, Abu Dhabi's Rotana Group and trendsetting Nikki Beach Hotels and Resorts, are being courted to manage the properties.

Greece's debt crisis has also created opportunities, said some investors. Land values are down between 30% and 50%, and labor costs have fallen by a fifth or more.

Meanwhile, Greece's government is trying to cut red tape and turn around the country's traditionally antibusiness climate. Last year, the government fast-tracked a British-led €267 million hotel and golf complex on Crete that had been languishing for 16 years. Construction is expected to begin next year.

#### 'Greece is in fashion again.'

Andreas Andreadis, tourism official

Some 19 million tourists are expected to visit Greece this year, which would be a record, up from 17.9 million last year. The country is also benefiting from turmoil in rival Mediterranean destinations, such as Egypt or neighboring Turkey. According to STR Global, a hotel consultant, occupancy rates at Athens hotels rose to 83% at the end of May and 70% across Greece, jumping by more than a third from a year ago. Room revenue is up 46%.

"Getting deals done in the local environment remains a lengthy and difficult process, and uncertainties with key elements including permitting and grants persist," said Spyros Spyropoulos, an adviser to Oaktree.

Still, Oaktree is forging ahead by teaming up with local resort operator Sani SA to set up a chain of hotels.



## INTERNATIONAL PROPERTY REPORT: GREECE

## Investors See Opportunities in Real Estate

Buyers Are Finding Bargains for Greek Commercial Properties

BY STELIOS BOURAS

ATHENS—Since the European debt crisis erupted in 2009, foreign investors have mostly ignored Greek real estate even as they have jumped back into Spain, Italy and Ireland.

But now buyers are returning to Greece amid signs that Europe's hardest-hit economy is starting to recover.

Toronto's Fairfax Financial Holdings Ltd., Colony Capital LLC of Los Angeles, Invel Real Estate Partners of the U.K. and Jermyn Street, an Arab-Turkish real-estate fund, are among those that have been buying commercial-property assets from distressed financial institutions, the Greek government and others.

In the past 18 months, investors have purchased €1.2 billion (\$1.58 billion) of properties, primarily from banks and the Greek agency charged with privatizing state-owned assets, the Hellenic Republic Asset Development Fund, according to commercial real-estate company Cushman & Wakefield. That compares with about €900 million in deals from 2008 to 2012.

New players such as international real-estate firm Hines, which controls assets valued at more than \$25 billion, also are shopping around. "Hines believes that Greece is transforming and that the real-estate sector will require significant foreign investment," Michael J.G. Topham, chief executive of Europe for Hines, said in an email. "It's a difficult market but we feel that there are opportunities worth pursuing."

Recent big deals include Fairfax's €210 million purchase of a majority stake in Eurobank Properties, a unit of Eurobank Ergasias SA that owns 58 assets in Romania, Serbia and Greece, including warehouses and office space. Invel, a relatively new firm focusing on European real estate, paid €653 million for a two-thirds stake in Pangaea, the property-holding subsidiary of National Bank of Greece SA, which owns 251 properties across the country, mostly leased to the bank and the Greek state.

To be sure, the Greek real-estate market faces challenges from the country's fragile economic recovery and risk of political instability. Greek banks worried about booking steep losses have been moving with a snail's pace to foreclose on commercial properties, even by European standards. Indeed, until now

tough laws protecting homeowners have prohibited Greece's banks from foreclosing on an estimated 200,000 households that are behind on their mortgage payments. While that de facto ban is scheduled to be lifted early next year, there is talk of extending it once again.

Still, after being mired in a six-year-long recession and an unprecedented sovereign-debt crisis that nearly sent Greece hurtling out of the eurozone, the Greek economy is now on the mend. Partly thanks to booming tourism, unemployment has peaked, banks are selectively lending, and the country's economy is expected to return to growth in the second half for the first time since 2008.

The price of Greek apartments dipped in the second quarter by an annual rate of 7.3% year over year, according to the Bank of Greece, the country's central bank. But that was the smallest drop since 2011.

At the same time, a recent rally in real-estate markets across most other parts of Europe has forced some yield-hungry investors to go bargain hunting in some countries, where property prices still remain deeply depressed.

While property values have recovered in most other European countries, in Greece they are still 30% to 50% below what they were before the bust for both commercial and residential real estate, according to the Bank of Greece and real-estate agents.

In the middle class Athens neighborhood of Kallithea, a small studio apartment can be had for as little as €10,000, about the cost of a four-year-old Toyota Corolla.

Foreign investors have focused primarily on hotels. This year, the National Bank of Greece sold the Astir Palace hotel, a luxury beachfront resort, to Jermyn Street for €400 million. Also this year, Colony Capital purchased a €40.4 million stake in Amanzoe, a resort overlooking the Aegean Sea owned by Dolphin Capital Investors Ltd.

The privatization agency is on track to sell €1.5 billion of assets this year. Properties on the block include a 170-acre beachfront property in the western Peloponnese area of Ermioni and 14 sites across the country allowing for the operation of boutique hotels.

Some analysts believe Greece also is poised to see an upswing in residential sales as foreign investors—including middle-class northern Europeans, Russians and Chinese—are attracted by the country's liberal visa program and Mediterranean climate.

"I think we will have a huge inflow of foreign investors buying second homes in Greece, the same as we saw in Florida, where we have seen a huge inflow of out-of-state and foreign investors," said George Kintis, founder and director of Alcimos, a Greek private-equity fund and advisory specializing in real estate.

Despite the interest, though, industry observers warn that Greece's real-estate market faces significant risks. Among them, a stifling bureaucracy that can hamstring investments and inadequate urban planning and prop-

erty zoning laws.

High real-estate taxes, imposed in the past few years as part of the austerity measures demanded by Greece's international creditors—the European Union, International Monetary Fund and European Central Bank—are also weighing on the market. Greece's central bank, which is upbeat about the property market, warns that outside factors, such as renewed political instability in Greece or political turmoil in places such as Ukraine or the Middle East, could reverse the trend.

"As a whole, the real estate market is projected to start recovering gradually in 2015," the Bank of Greece said in a recent report. "Provided, that the present trend is not reversed by exogenous factors."



Abandoned buildings and stores dot central Athens, but commercial real estate is beginning to rebound.



It feels as if it was only yesterday that buying real estate in Greece seemed like an impossible dream.

After all, it was among the most expensive real estate in the world, and with good reason.

Breathtaking beauty, diamond-clear turquoise water, tasty and healthy food, superb night life, relaxed and care-free lifestyle that extends your life span. Paradise. But now, the dream can become reality.

In the many faces of the Greek landscape you can find a variety of eco systems, pristine lakes, majestic mountains, golden beaches, dreamy sunsets, and history everywhere you look, all under an unforgettable azure-colored sky. Great skiing, sailing, scuba diving, high end shopping, unforgettable night life, open-hearted and welcoming people like nowhere else in the world, exquisite dining experiences night after night. You will feel the warm sea breeze

## Greece Today!

By Theodore Kyriazis October 2013

in the evening while enjoying calamari and delicacies in season, retsina or cocktails on the sand, as the sun is about to dip into the Aegean sea. And don't

be surprised if you run into celebrities. They seem to be always in season there.

The efforts and the resolve of the Greek government, as well as the commitment of the private sector to overcome the present difficult period and regain the competitive edge it enjoyed up to the recent crisis, can be seen in the plethora of the new, large-scale developments taking place in Greece right now. The Flisvos marina outside of Athens which is being extended to accommodate

the big influx of cruise ships, the state-of-the-art magnificent shopping center being built where the old Athens airport used to be, the Thessaloniki impressive metro transport project are just a few of these developments. And, of course, there are

the famous Greek islands which are becoming more and more exclusive, as they are only so many of them, and the demand is higher and higher every year.

With prices having dropped up to 60% due to the very well publicized Greek crisis, you can now own a piece of that paradise, enjoy it and build equity in the process, as the crisis will be over soon and prices will skyrocket again. I can present to you a selection of the best properties available for sale in Greece right now, either for personal enjoyment or for investment that is best suited for your lifestyle and needs.

I have been a resident and real estate broker in Beverly Hills for almost 30 years and, since I was born and raised in

Greece, I am quite familiar with doing business there. I have assembled a team of top professionals who deal with the various requirements of real state acquisitions in Greece, such as architects, building contractors, map purveyors, geologists, banks, customs regulations, etc.

I will personally negotiate the purchase price with the seller. I will monitor all required steps and make sure that the process will be smooth sailing -- yes, pan is fully intended -- as it is when buying real estate in the United States. And, of course, you will never have to pay me any commission.

I invite any questions you may have, so please feel free to contact me. **D**

## THEODORE KYRIAZIS

REALTORS

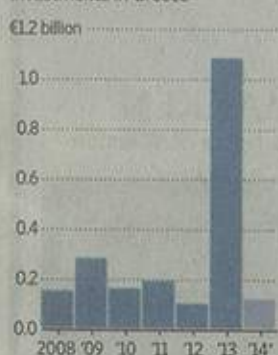
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## Midas Touch?

Annual commercial real-estate investments in Greece



\*Through 2Q 2014 €1 billion=\$1.31 billion  
Source: Cushman & Wakefield  
The Wall Street Journal