



# THE HOUSING CRISIS AND ITS AFFECTS IN EUROPE AND GREECE.

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- FOR THE CLASS, CONTEMPORARY ISSUES IN LOCAL AND REGIONAL DEVELOPMENT, TAUGHT BY PROFESSOR ASIMINA CHRISTOFOROU.
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# Topics:

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1. What is the housing crisis exactly and why does it affect our society?
2. Increased housing prices in Europe.
3. Increased housing prices in Greece.
4. The real estate department in Greece.
5. Comparing prices in different areas throughout Greece.
6. Can Greek people today afford to buy a primary residence?
7. Who exactly invests in housing in Greece?
8. Conclusion, who has access to housing and for what purposes?
9. Example of housing prices soaring, <<Villa Muse, Mykonos>>.

# 1) What is the housing crisis exactly and why does it affect our society?

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- The housing crisis is a phenomenon that makes it extremely difficult to rent or own affordable housing due to a plethora of economic, political, and social issues.
- A situation which the cost of renting, surpasses the standard threshold of affordability (30% of a household's gross income).
- While also house prices are skyrocketing, making it difficult for the average citizen to take out a bank loan, to invest in his own place.
- A modern-day problem that is affecting communities worldwide for the past decade (social displacement, financial stress, impeded economic growth e.t.c).
- Something unexplored for the economic world, (unlike the housing shortage incidents, which have happened already in the past).
- This anomaly is also encouraged in many countries to assist certain individuals in using houses as a financial instrument ( this is known as financialization).

## 2) Increased housing prices in Europe.

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- From 2012 up to 2022, based on Housing Europe (an organization that provides public, cooperative and social housing) the average rent has increased up to 19%, while house prices have soared up to 47% in the EU.
- In 2022-2023, a slight increase on housing prices has been noticed (approximately 0.2%), while on the other hand rents have risen by 3% across Europe, according to Eurostat
- It is estimated that prices will rise across all EU cities by the end of 2024.
- Aspects such as Covid-19, the European energy crisis (caused by the war in Ukraine and Palestine), the constant refugee waves from the Middle East and the escalation of the cost-of-living worldwide are also disrupting the housing market.
- All EU countries are facing large price increases (especially in their capital cities) except for Austria. Austria seems to be providing excellent housing for renters, buyers, and investors with stable prices, this is thanks to a policy which states that private rental real estate agents are 'paid by those who hire them' and landlords will add the cost of brokerage fees to the rent if the landlord is paying the broker's fee. This money is specifically intended for housing construction throughout Austria

### Annual deflated House Prices – Member States – Rates of change, 2010-2023

(%)

	DEFLATED HPI (1 year % change)													
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Euro area 20	-0.7	-1.1	-3.8	-3.0	-0.2	1.3	3.5	3.0	3.3	3.2	4.6	5.5	0.3	-6.8
EU	-1.9	-1.7	-3.9	-2.7	0.5	2.0	4.1	3.3	3.6	3.7	5.0	5.8	0.5	-6.3
Belgium	0.4	0.7	0.3	0.4	-1.1	0.9	0.8	1.6	1.0	2.3	3.4	4.1	-3.9	-2.8
Bulgaria	-11.8	-8.9	-4.6	-0.8	0.1	0.4	5.3	3.9	4.1	3.9	5.2	2.5	-2.1	2.7
Czechia	-2.2	-1.6	-3.5	-0.7	1.6	4.0	6.8	9.1	5.9	6.2	5.4	16.4	1.6	-10.0
Denmark	0.3	-4.0	-4.9	3.1	3.1	6.6	5.1	3.5	3.7	1.4	4.7	9.5	-7.4	-6.5
Germany	-0.6	1.6	2.1	1.7	2.2	4.1	6.7	4.6	5.1	4.4	7.2	8.3	-1.3	-13.9
Estonia	1.8	3.1	3.1	7.3	12.9	7.3	3.7	1.1	2.3	4.2	7.0	10.4	4.5	-3.0
Ireland	-12.4	-17.9	-14.4	0.0	15.5	11.0	7.0	9.3	8.2	0.5	-0.4	4.2	5.0	-3.3
Greece	-4.3	-8.2	-12.5	-9.3	-5.2	-3.8	-1.5	-1.4	1.7	7.2	5.7	6.5	5.2	8.4
Spain	-3.7	-9.8	-16.5	-10.0	0.2	3.7	4.5	4.6	5.2	4.1	2.1	1.4	0.8	-0.2
France	3.5	3.8	-1.9	-2.5	-1.6	-1.6	0.8	2.3	1.2	2.5	4.1	4.8	1.5	-6.3
Croatia	-7.7	-2.0	-4.6	-5.7	-1.3	-2.6	2.0	2.9	4.6	7.8	7.1	4.9	3.2	3.7
Italy	-0.8	-1.5	-5.0	-7.5	-4.9	-4.0	0.2	-2.1	-1.5	-0.7	1.8	1.0	-3.6	-3.7
Cyprus	-8.2	4.4	-5.5	-3.9	-1.1	10	2.2	1.2	0.5	3.4	1.2	4.2	-3.6	-0.2
Latvia	-8.8	4.0	-0.3	6.4	4.7	-2.8	7.3	5.3	6.3	5.5	3.5	7.2	0.4	-3.9
Lithuania	-8.8	2.2	-3.2	0.4	6.4	4.7	4.4	5.2	4.5	4.5	6.0	10.9	0.4	1.1
Luxembourg	3.3	0.7	2.0	3.4	3.7	4.5	5.2	3.3	5.1	8.7	12.7	12.5	4.0	-12.2
Hungary	-5.6	-6.6	-8.9	-4.2	2.8	12.5	12.3	8.6	10.7	11.8	1.5	9.6	5.2	-7.7
Malta	-1.1	-3.9	0.4	-1.6	2.0	4.1	4.5	4.2	4.8	4.2	2.1	3.8	1.2	-0.4
Netherlands	3.3	-4.0	-7.9	-8.0	-0.1	3.3	4.7	6.6	7.0	4.5	6.6	11.1	6.0	-10.0
Austria	5.0	2.1	4.1	2.8	1.8	4.1	5.2	3.2	3.9	4.2	6.3	9.1	3.9	-9.9
Poland	-6.0	-4.4	-6.4	-4.7	1.3	1.9	2.7	2.0	5.0	6.4	6.7	3.5	-1.9	-1.9
Portugal	-1.0	-6.5	-8.7	-2.6	4.0	2.2	6.1	7.6	8.6	9.0	8.1	7.3	4.8	3.0
Romania	-15.5	-15.7	-8.9	-1.7	-3.2	1.7	5.2	3.3	1.7	-1.9	2.3	-0.2	-6.4	-5.9
Slovenia	-1.3	0.9	-8.5	-7.2	-6.2	1.4	3.6	6.6	6.6	5.3	5.2	7.9	4.3	-0.2
Slovakia	-5.0	-5.2	-5.9	-0.4	1.5	5.5	7.0	4.4	4.9	6.2	7.2	3.0	1.3	-9.2
Finland	4.8	-0.1	-0.4	-1.3	-1.6	-0.5	1.1	0.1	-0.4	-0.6	1.4	2.3	-4.7	-9.5
Sweden	6.6	1.2	0.7	4.5	8.3	12.0	7.3	4.8	-3.3	0.4	3.3	8.1	-3.0	-10.9

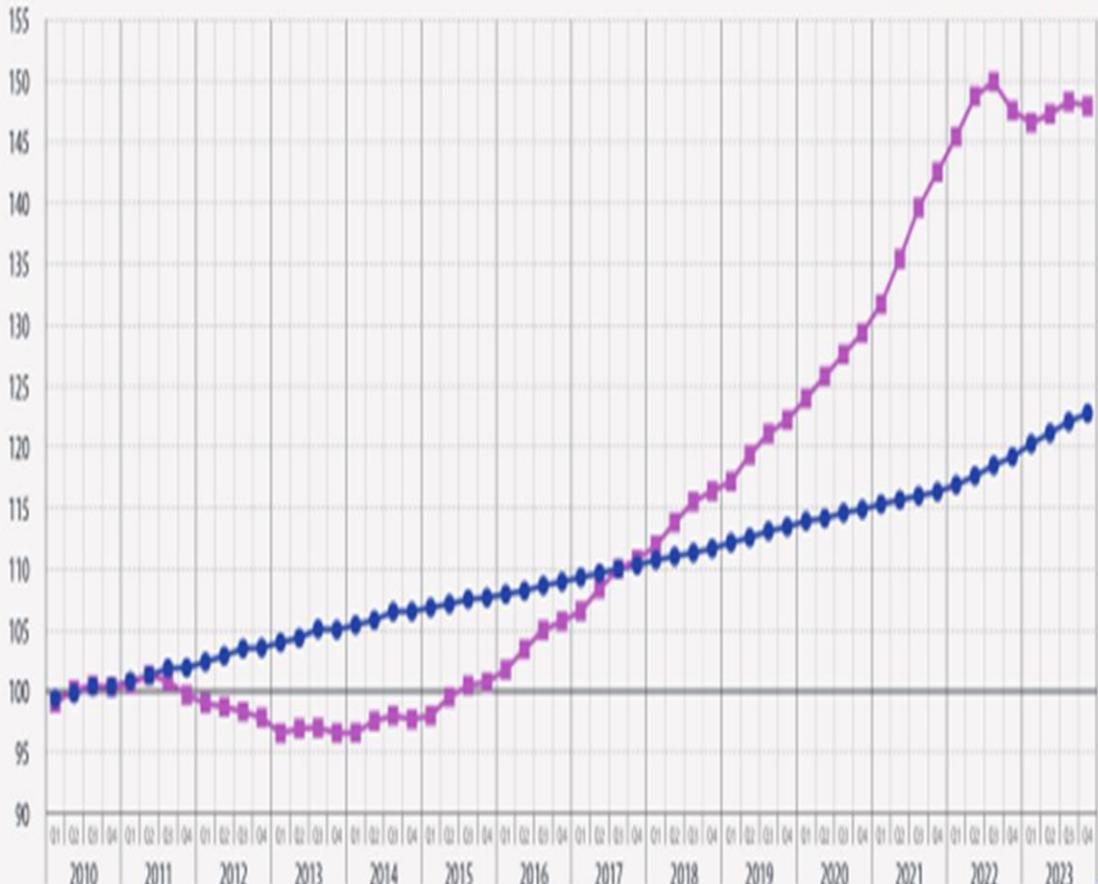
Source: Eurostat (online data code: tipsho\_10)

eurostat

### House prices and rents, EU

Index levels (2010=100), Q1 2010 - Q4 2023

House prices      Rents



# 3)Increased housing prices in Greece.

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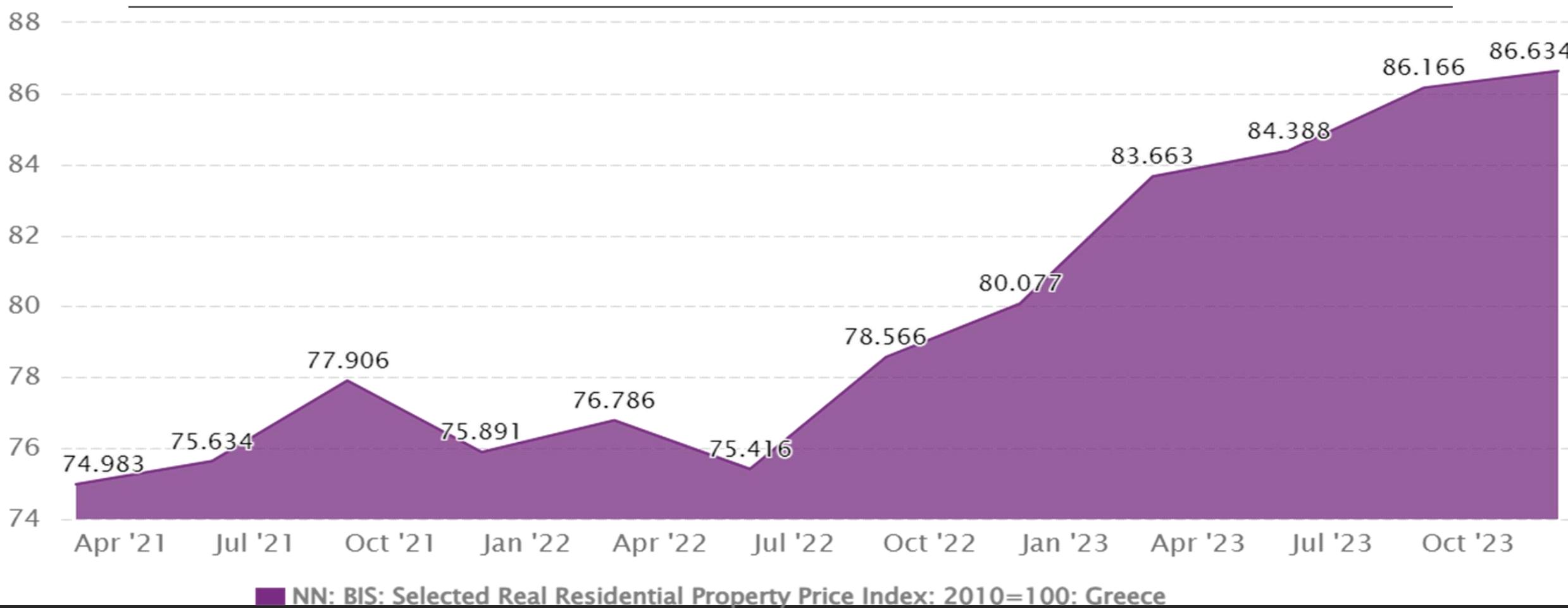
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- As a result of the Greek financial crisis, it has been revealed that during the years 2005-2021 homeownership in Greece declined up to 11.3%, while a large portion of the countries real estate went to foreign investors, who capitalized on the situation.
  - The EUs average is at 70%, while in the two major cities in Greece, Athens and Thessaloniki , homeownership rates are as low as 60-65%. This is affiliated with constant demands in rental properties, thanks to many financial challenges households face, not allowing them to enter the property market.
  - It is important to emphasize that many property owners have been forced in the past decade to sell their homes and turn to rent to either pay off debts or other financial obligations, while rent was increasing steadily, thanks to the high demand.
  - Some had to migrate.
  - A 5.9% overall increase in rents across Greece has been recorded during 2023-2024.Based on a study conducted by the non-governmental organization diaNEOSis (Most expensive housing in Europe compared to income).
  - Eurostat has stated that Greek rental households spend around 37% of their income on rent, being first among other EU countries. Especially in large cities, rent can surpass even 40% of a household's income, for 79% of renters. While the EU suggests that 30% should not be surpassed.

➤ In total property prices have been increased by 62,3% since 2010.

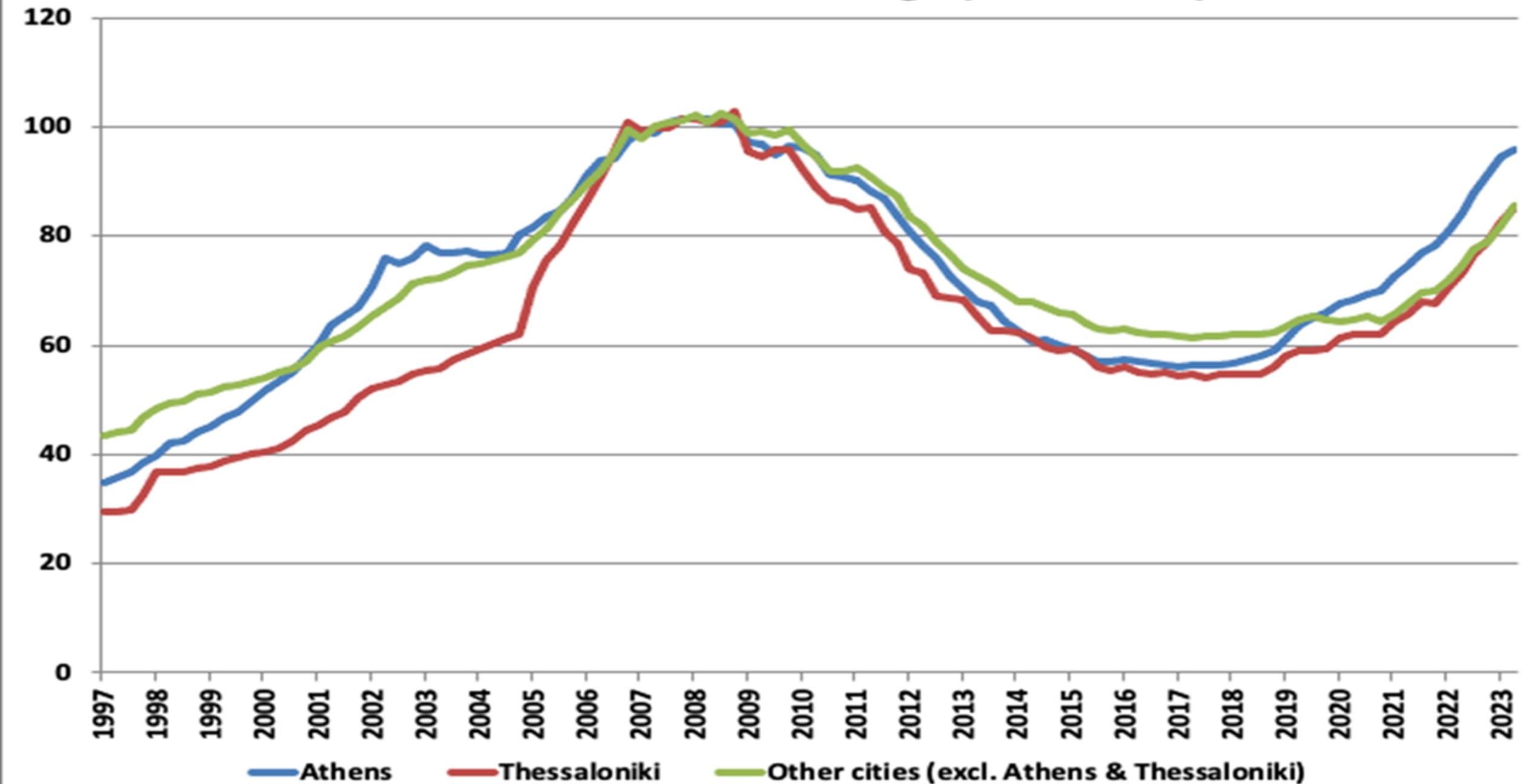
➤ The main reason for this is the imbalance between supply and demand.

➤ The Golden Visa program is also a major reason for these increases.

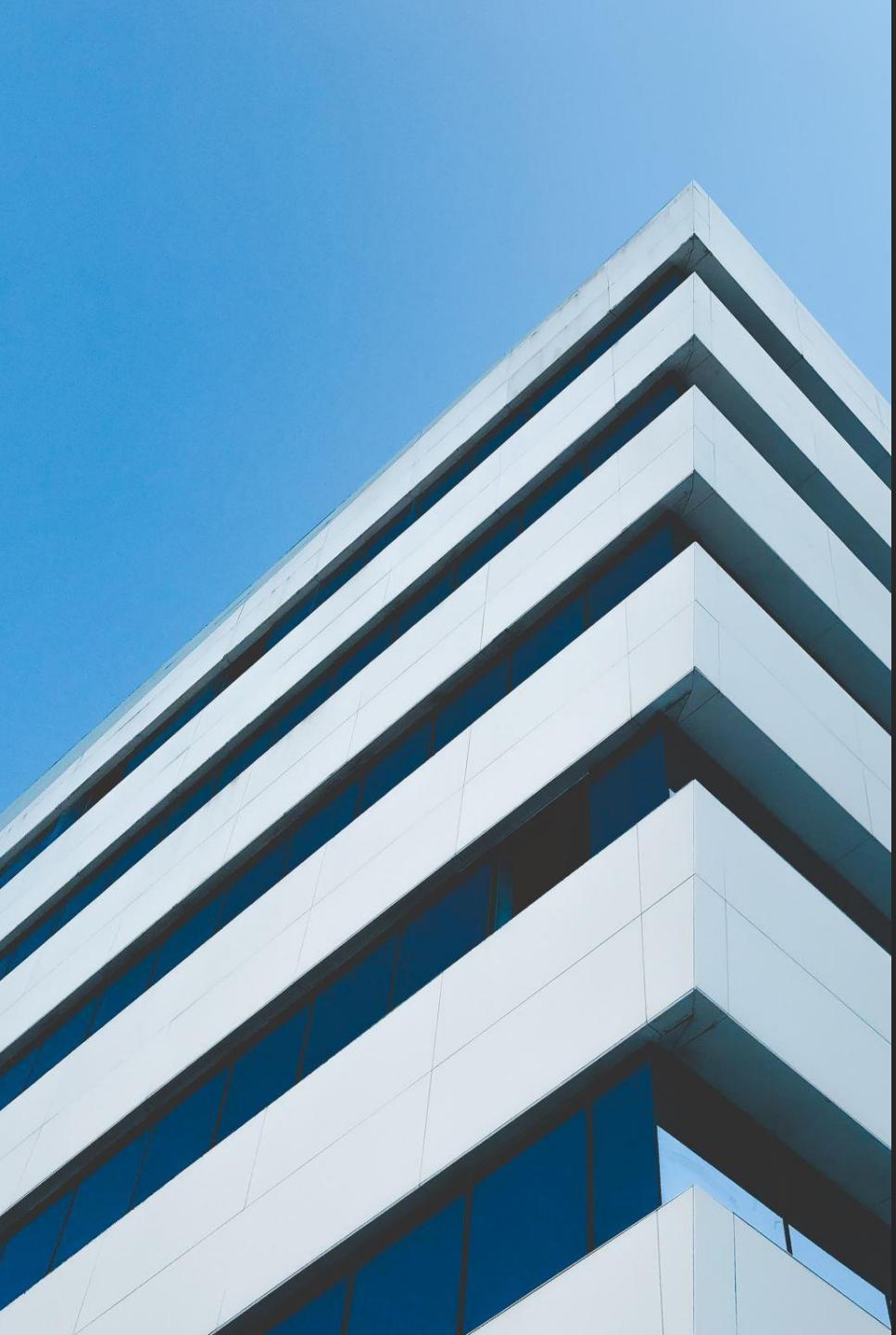
➤ Since before August 1, 2023, the investment amount to get Greek citizenship used to be at 250.000 Euros and escalated to 500.000 Euros, and for some areas in Attica it is being discussed if the prices should be promoted, with the investment limit starting at 800.000 Euros.



# Index of Prices of Dwellings (2007=100)



Source: Bank of Greece



## 4) The real estate department in Greece.

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- According to the EU, Greece's real estate sector will grow by 2,3% in 2024.
- The national bank of Greece is also playing a big part on this growth, offering price analysis, to attract potential investors, while comforting them, that their investment is well planned on and safe and emphasize how lively the market is.
- The factor that differentiates Greece's market from the rest, is that it is not only emphasizing on real estate, but also on other investments that will add value to properties, ( such as transportation , agriculture, sustainable growth e.t.c).
- The Greek golden visa (mentioned in topic 3) is also an appealing reason why, such a large number of investors is being attracted to the country, thus increasing the demand on the real estate market.
- Promoting the country's rich historical heritage, natural beauty and culture along with cost - effectiveness for foreigners (since they possess higher salaries) , attracts many investors.
- Tax changes are also being made in 2024, so that the real estate market can further expand (Transferring and acquiring a property will become easier for a taxpayer, since less governmental documents will be required).
- It is predicted that by the end of 2030, 45 billion will be invested in the Greek real estate market. As stated by the National Bank of Greece (NBG), this cashflow will be poured towards constructing new properties and renovating already existing properties.
- Geographical Diversification is another aspect that works in favor of the real estate sector in Greece.

5)Comparing prices in different areas throughout Greece.

- Piraeus, having one of the largest passengers' ports worldwide (fifth in Europe), along with various methods of transportation, making it an international hub, is an area with high demand in real estate, being on the top of the list of investments in Europe.
  - The Athens Riviera, a shoreline in the Saronic Gulf outside of the Greek capital city, where housing costs are at 3.664 euros per square meter in 2024, while in 2023 the price was at 3.368. The prices are still increasing in 2024, affecting all the nearby areas including Piraeus.
  - All these drive ups of property prices, occur mainly thanks to the Hellenikon project, which is the redevelopment of the previous Athens airport, being considered the largest regeneration project in Europe at the moment.
  - The most expensive is Vouliagmeni in the Saronic Gulf, where the price is 3.368 euros per square meter on average for purchases (it can be exceeded), since it is an elite area close to the Hellenikon project, followed by Kolonaki located in the heart of Athens going at 3,300 euros per square meter in 2024 and the Northern suburbs which are at 3.000 euros per square meter in 2024 (for example Ekali and Psuxiko) etc. The islands of Cyclades being the second most expensive area to buy property in Greece, start at 3.500 euros per square meter. These prices can be exceeded in luxurious properties (in all areas) and the star islands of Greece, Mykonos, and Santorini.
  - Housing prices are also rising rapidly in Thessaloniki, being the second biggest city in Greece with its own port and airport, prices in the city center go by 2.273 euros per square meter.
  - An honorable mention that can't be slept upon is the island of Crete, since it has been rated the best Greek island for real estate investment in 2024, going at 2.222 euros per square meter on average in Chania (the island Chora).
  - Thanks to gentrification an abundance of Athenian neighborhoods, that were avoided in the past are now attracting real estate investors (ex Exarchia and Gazi).



# 6) Can Greek people today afford to buy a primary residence?

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- Homeownership in Greece has declined at about 11.3% from 2005-2021, it being even worse on the capital Athens and Thessaloniki (based on ELSTAT and EUROSTAT).
- In 2012 a restraining measure was passed , which scrapped the Workers Housing Organization(during the Greek economic recession, which already impacted the housing crisis gravely), making it impossible for the nations state to interfere in the real estate market.
- Greece at a record low in social housing, compared to other EU countries, who have raised their social housing at about 20-30%, combating the problems of the real estate market.
- The Greek state is currently trying to overcome this situation by revamping the countries institution of social housing.
- With the minimum wage in Greece being 830 euros and the average wage being 1.200 euros, most people cannot afford to save money to invest in a house, since a vast amount of their paycheck is used to cover every day basic needs and taxes.
- Bank loans are not an option with salaries this low, since they won't be paid off.
- The tax wedge for the average single worker in Greece increased by 0.5 percentage points to 38.5% in 2023, while the average tax of all the country members being 34,8% in 2023, ranking Greece at the 18th place, amongst 38 OECD member countries (The Organization for Economic Cooperation and Development).
- Child related benefits tend to reduce tax wedges for workers with children, in comparison to those with none. In 2023 this reduction was 1.4% in Greece while the average in the OECD was at 9.1%.
- Greek electricity bills soar by 50% on average since August 2023. Other necessities, such as oil prices and supermarket prices have risen significantly as well.
- Conclusion, it is highly improbable for the average Greek citizen to invest in a home, if the average and lower wage don't increase significantly, or some taxes are reduced.

# 7) Who exactly invests in housing in Greece?

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- Property investors, not only from Europe, but from all over the world, have increased their investments by 68% in 2022. It is estimated that 80-85% of real estate purchases in Greece were made by foreign buyers in 2022 and 2023, these investments reached up to around 2,2 billion euros in 2022. These numbers only increased in 2023 soaring up to 3,8 billion euros.
- Short-term property rentals , the Golden Visa and more affordable properties are the reasons that foreign investors choose Greece, as an investment.
- The top 5 foreign investors in Greece are firstly from Israel, followed by China, Germany, Bulgaria and Turkey. The dominant EU countries in this field are Italy, France and the Netherlands along with Germany of course. The United Kingdom is also a powerful non- EU investor.
- Based on the NBG, Northern Greece is mostly invested upon by Germans, Bulgarians, Serbians and Turks. Southern Greece is a preferred choice by Israelis , Chinese , Germans and Lebanese. The Ionian islands are attracting English, German and Dutch buyers, while in Crete most buyers are from Israel, Germany, England, and France. Atticas investors tend to have more diversity, putting the Chinese in the first place, followed by Israel and then France, Germany and the United Kingdom. A large portion of sales was also made from Middle East countries (UAE, Lebanon, Iran, Syria) as well as Turkey.
- Since Israel is the number one investor in Greek properties, it is important to mention why this is the case. The close proximity of the two countries, along with many flights connecting each countries airports and ships connecting the ports easily are the main reasons along with the visa that opens the doors towards Europe.



## 8)Conclusion, who has access to housing and for what purposes?

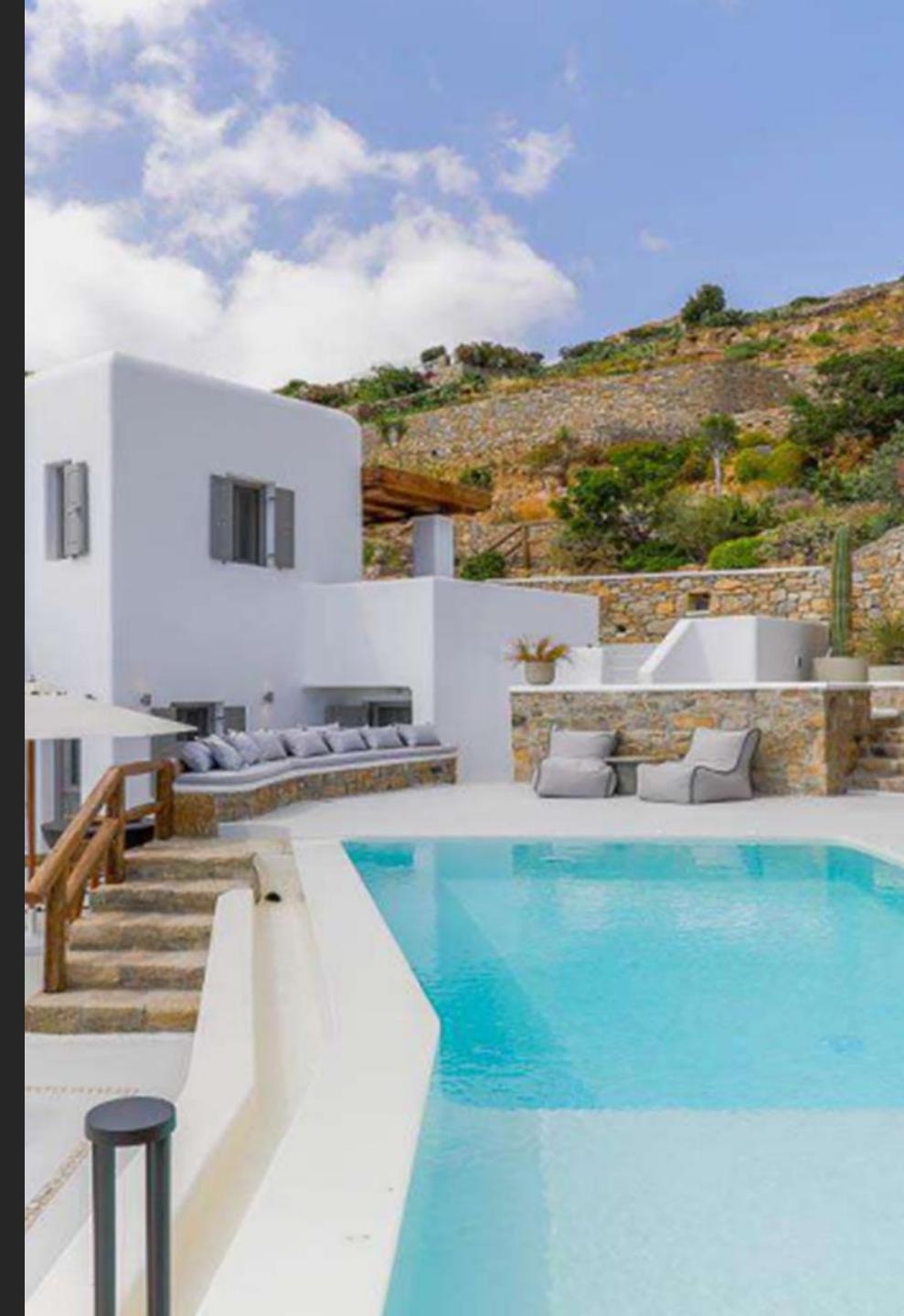
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- The housing crisis is an instrument that torments some and blesses others, not only in Europe and Greece, but in all parts of the world. This abnormality is promoted by changing laws and regulations, while also legalizing specific policies to assist certain individuals in using houses as a business rather than as a human right.
- The expansion of the gap between the rich and the poor is getting worse, since the desperate need of housing for some is being taken advantage off (leaving them with no economical properties to invest in), and turned into a business , all while the social housing system is in a bad state in most countries.
- In Greece specifically, even the middle class can't afford housing and are heading towards the lower-class bracket with each passing day, while wealthy Greeks and investors from other countries are prospering with the way the market is currently, not only in tourist areas, such as the islands, but in all parts of the country.

## 9) Example of housing prices soaring, <<Villa Muse, Mykonos>>.

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- Villa Muse in Mykonos, situated in Fanari, offers accommodation with a private pool, sea views, and a spacious balcony and garden.
- Guests can benefit from free private parking
- This 5-bedroom villa includes 4 bathrooms and a WC and can sleep up to 11 people.
- It is equipped with complimentary Wi-Fi, a TV, a washing machine, and a fully equipped kitchen with a dishwasher and oven.
- A spa is also currently being built on the property, which will increase the property's value, along with its rent per night, since it is being used as an Airbnb.
- The price per night for this property is 3.000-4.000 euros, depending on if it is a high tourist season or not. The price will increase when the spa is finished and available for use.



Building cost: €300,000

2011

2019

Renovated with €250,000 in 2023

2024

Sold for €900,000

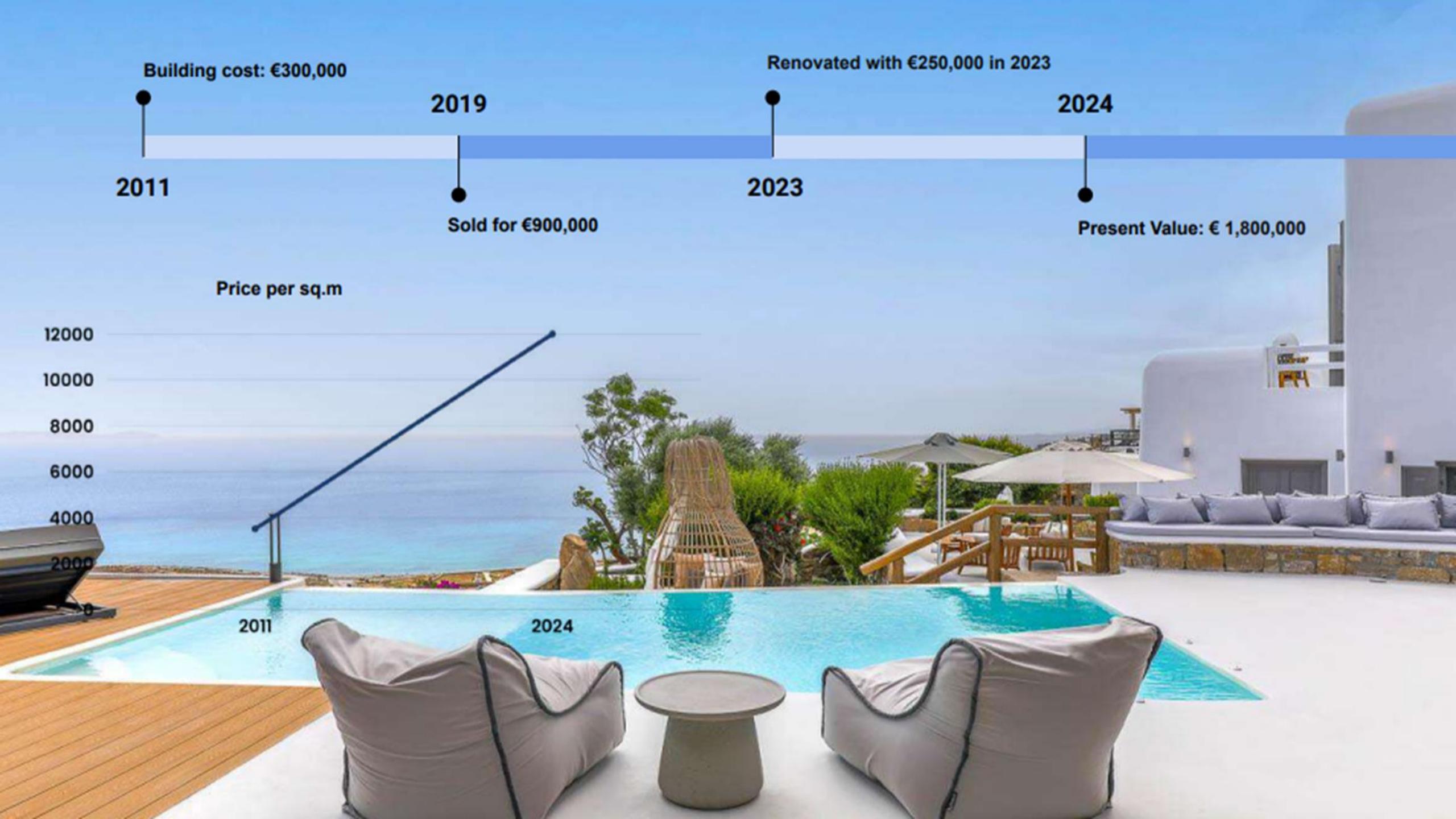
Present Value: € 1,800,000

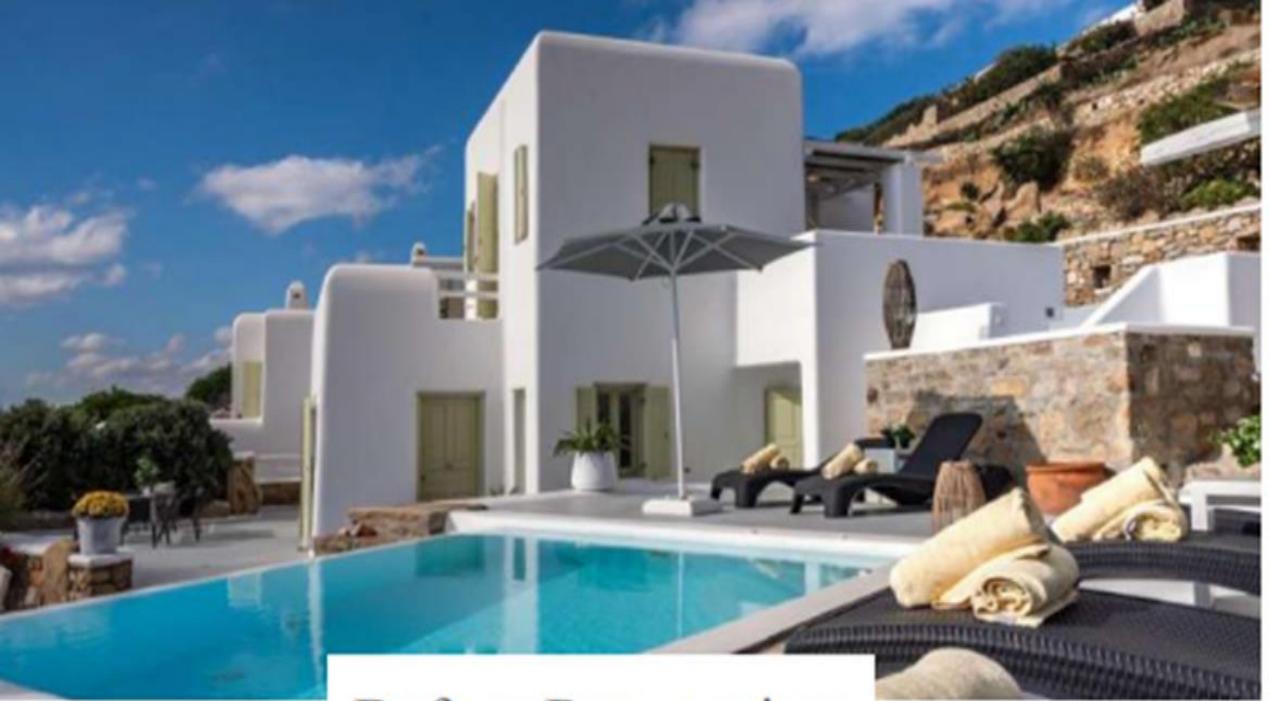
Price per sq.m

12000  
10000  
8000  
6000  
4000  
2000

2011

2024

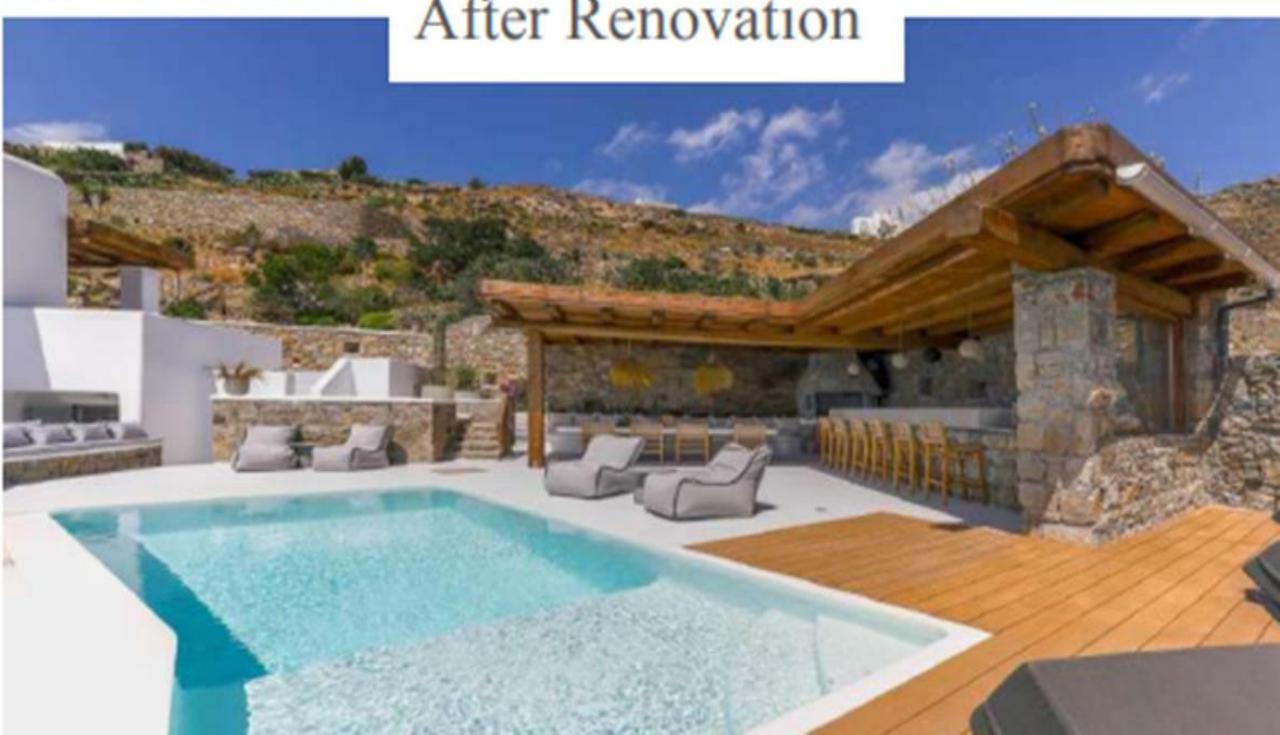




Before Renovation



After Renovation





Before Renovation



After Renovation



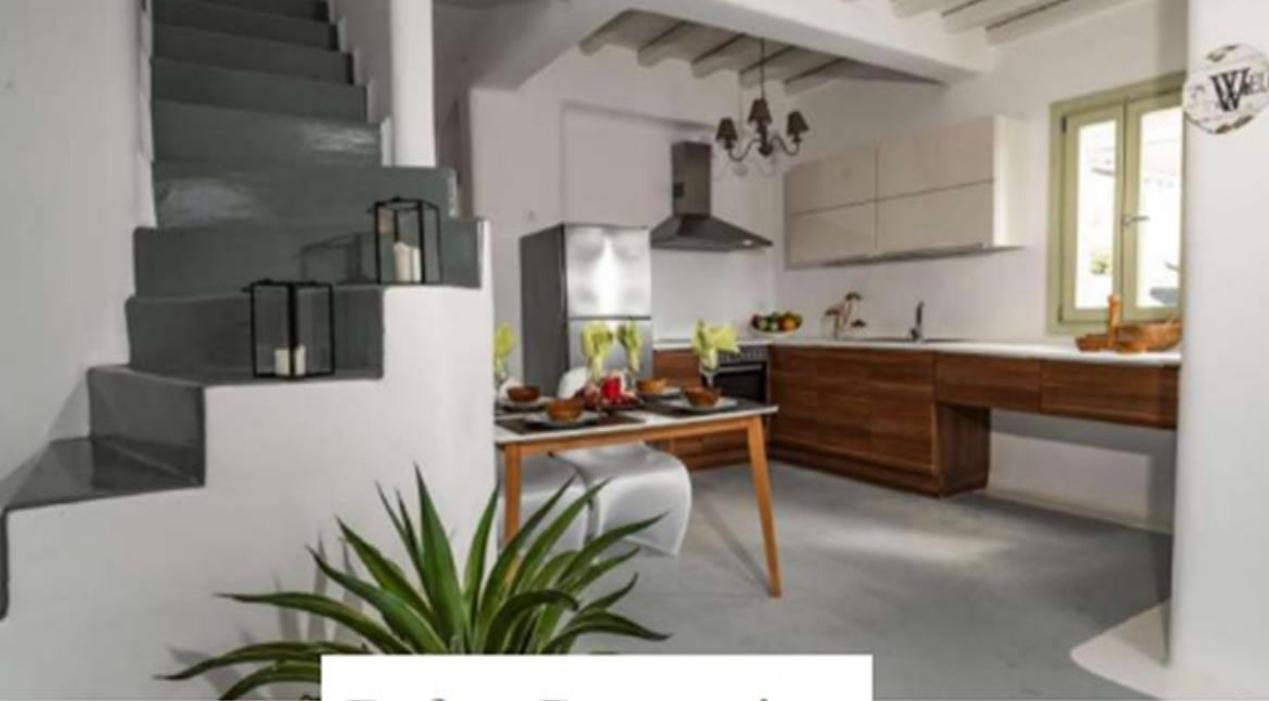


Before Renovation



After Renovation

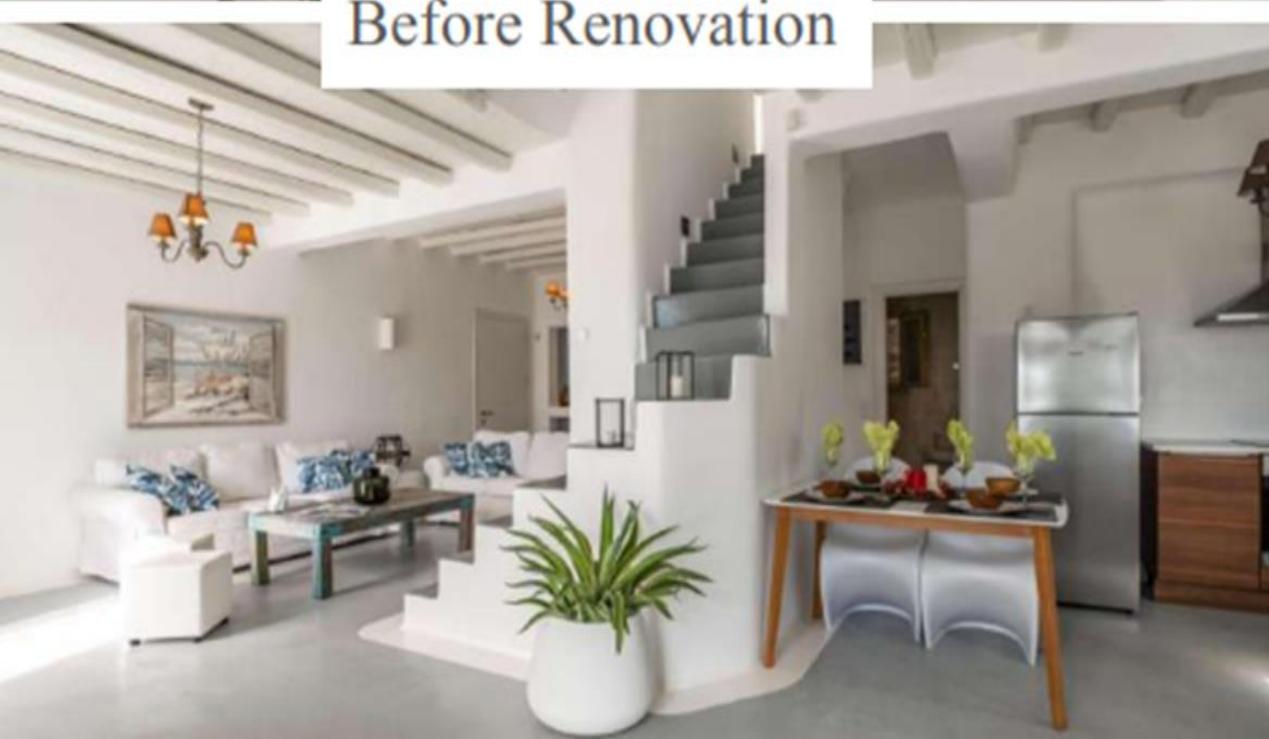


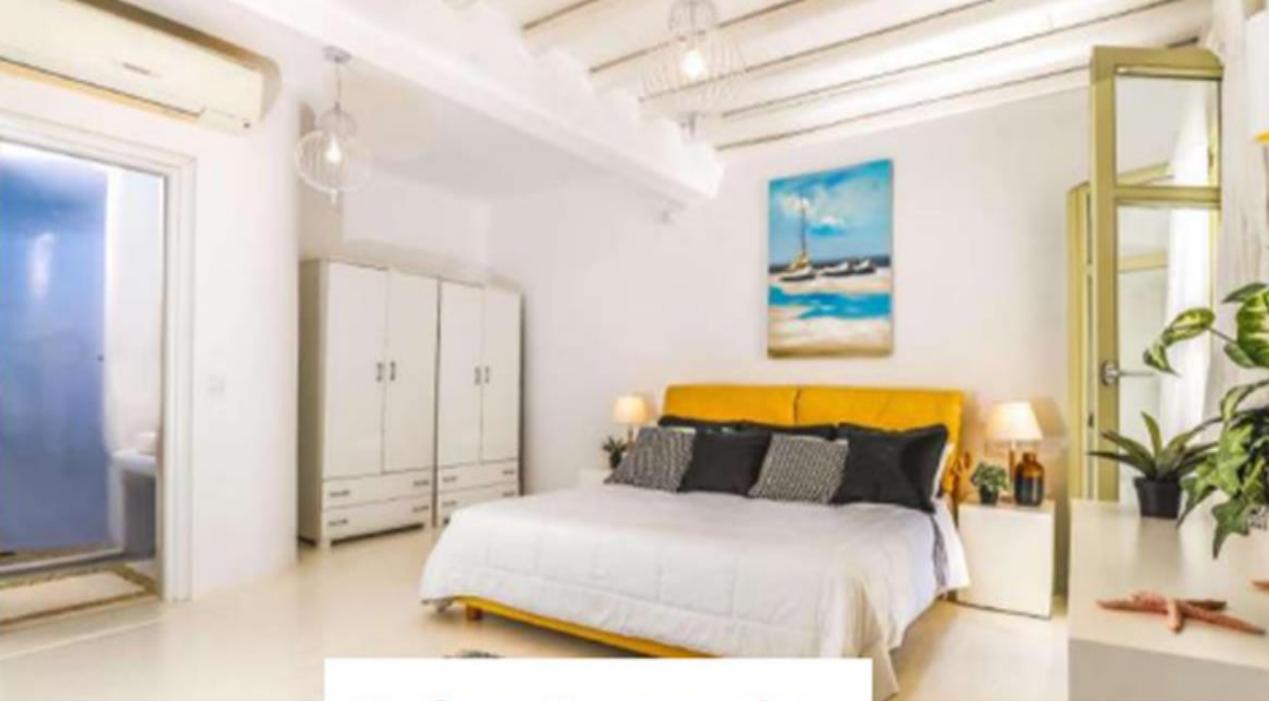


Before Renovation



After Renovation

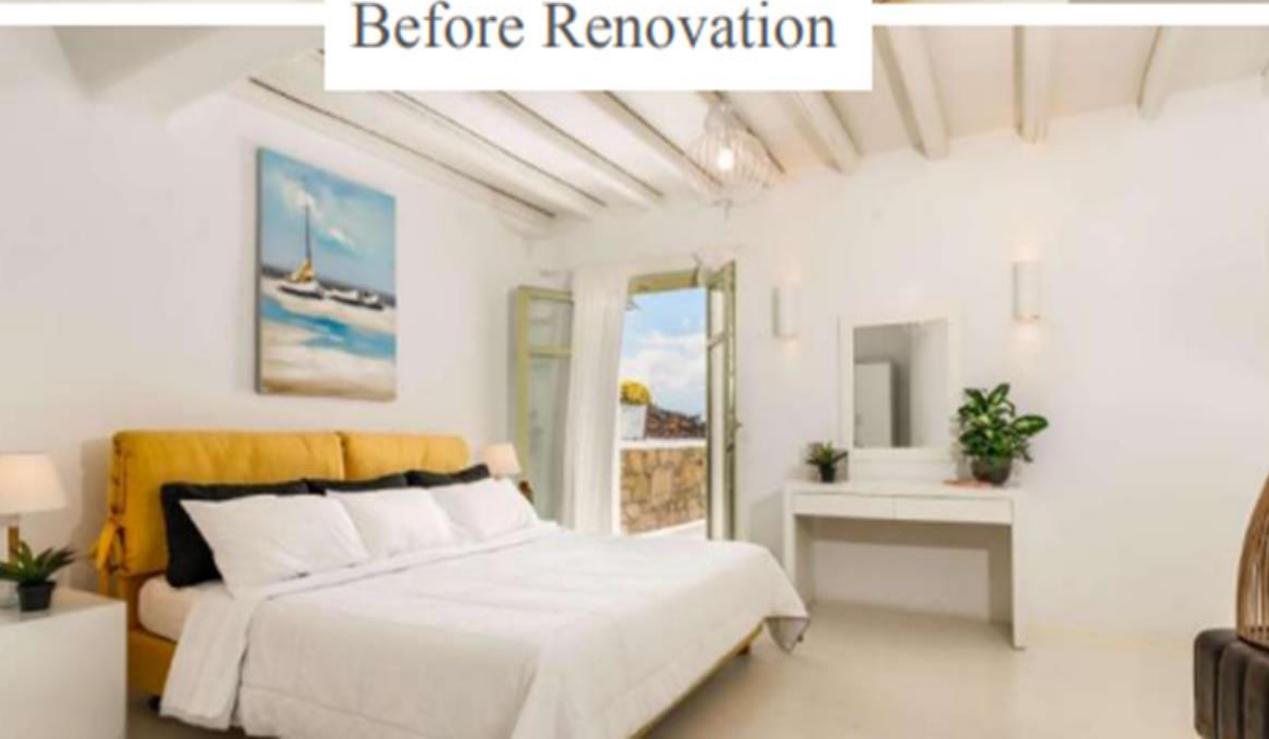




Before Renovation



After Renovation





Before Renovation



After Renovation

