Insights

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Decoding Housing Affordability in Greece

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1. *Introduction*

Residential real estate represents the predominant form of non-financial household wealth[1]. Housing is a socially sensitive commodity and an ongoing challenge for modern Western societies, affecting the lives of millions of citizens worldwide. In Greece, purchasing property has been traditionally considered an investment vehicle for preserving wealth during periods of high inflation, which erodes the value of liquid assets, marking also the ascending to a higher social status.

The housing affordability challenges are being exacerbated by a number of megatrends; the constant movement of populations driven by factors such as the refugee crisis, the continuous concentration of populations in urban areas, the relocation of high-income individuals to areas with higher living standards, the increasing inbound tourists and the expansion of short-term rentals, new working models such as remote work, as well as a series of economic and environmental crises.

Due to its social importance, the housing market is one of the sectors that governments aim to influence through various interventions, such as tax policy, mortgage subsidies, social housing, and housing development. In the context of post-WWII Greece, however, housing was primarily addressed at the individual and family level, rather than being a matter of public policy. Prior to the mid-1990s, two distinct approaches to housing provision co-existed in the Greek real estate market: the sale of flats in exchange for land, and the construction of properties through own initiatives, financed either via savings or family bequests[2]. Both methods were distinguished by the absence of bank lending involvement in the financing of a house purchase. More specifically, the most successful intervention of the state after the war was the adoption of the so-called flats-for-land “antiparochi” system, i.e. the exchange of land for apartments. This transaction enabled numerous Greeks to obtain a house without paying cash, and significantly influenced the development and architectural characteristics of Athens and other Greek cities. Essentially, it was a profitable transaction between the small landlord and the small constructor. Following the 1970s, the acquisition of a country house, whether on an island or the mainland, also stimulated a certain level of construction activity.

Conversely, following the 1994 financial deregulation[3] commercial banks were also permitted to provide housing loans, which had previously been the exclusive domain of special credit institutions. It was a regime switch. Initially, the younger generation resided in the dwellings constructed by their parents with their savings. From the 1990s onwards, mortgage lending also increased driven by the liberalization of the banking system, which resulted in the dissolution of liquidity constraints. This trend intensified, especially after the country's entry to

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[1] The total net wealth of a household is the aggregate value of all assets owned, including deposits, stocks and mutual funds, as well as real estate and private businesses. This figure is arrived at after deducting the loans taken out by the household, including consumer loans, credit cards and mortgages (Haliassos, 2012, p. 16).
[2] For a concise historical overview of the Greek residential real estate market see, *among others*, Maloutas et al. (2020), Kapopoulos et al. (2020).
[3] For a further analysis see Garganas and Tavlas (2001).

the euro area in 2001, when low interest rates made the banking sector the main source of financing for households purchasing residential property.

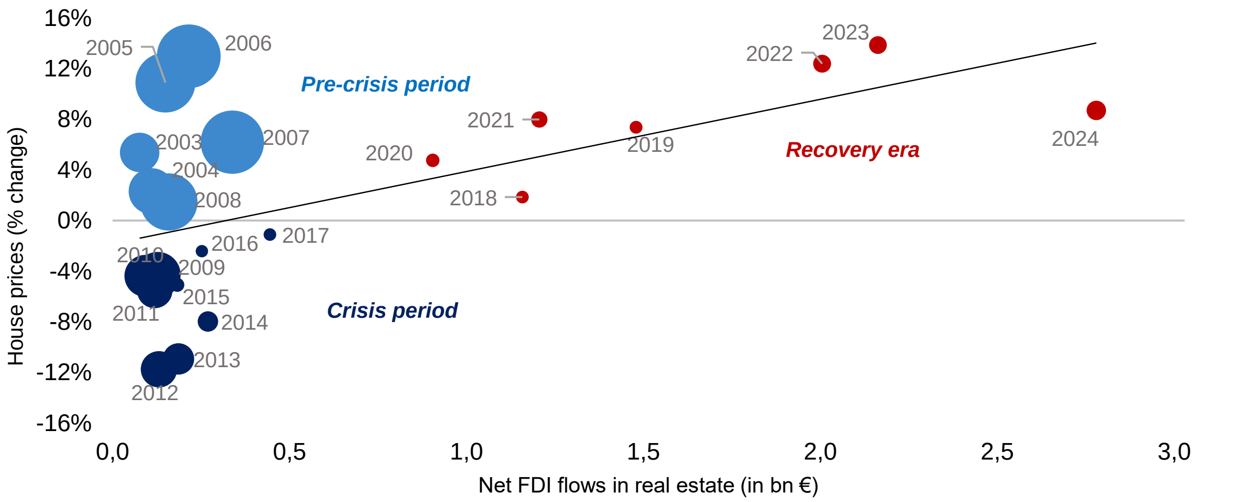
In the 1990s and 2000s, the focus shifted to the need for the middle class to move to new suburbs, while at the same time to integrate immigrants, mainly from Balkan countries, into the urban fabric. The robust construction activity of this period, coupled with the sustained prevalence of a relatively low fertility rate (2023: 1.26 live births per woman), culminated in the zenith of homeownership ratio[4]. Despite the decade-long Greek sovereign crisis and the two successive economic shocks (COVID-19 pandemic and energy), leading, *among others*, to a gradual decline of homeownership rate, the non-financial wealth of Greek households reached 68% of total gross wealth in 2022, a figure that stands in stark contrast to the global average of 49% (UBS Global Wealth Databook, 2023).

Currently, the global shortage of affordable housing has reached alarming levels, with projections indicating that by 2025, approximately 1.6 billion people will face housing insecurity (Innes and Casabianca, 2021). A similar situation can be observed in Europe; according to the OECD (2023), 46% of Europeans are either "concerned" or "very concerned" about being able to find or maintain adequate housing within the next one to two years. Furthermore, the EU and the euro area house price indices have exhibited an upward trajectory from 2014 until 2022, with a cumulative increase of around 50%. Both indices experienced a modest decline in 2023, with Eurostat data indicating a -0.3% in the EU and -1.2% in the euro area, before recovering again in 2024 (3.3% and 2% respectively). In numerous regions, mainly in large cities, housing costs have reached a level that is unaffordable for many, particularly those with low incomes and young people.

Greece is no exception, facing similar challenges, which are reflected in the course of three main variables: house prices, rents, and household disposable income. According to the Bank of Greece, house prices increased by 13.9% in 2023 and 8.7% in 2024. In Athens and Thessaloniki prices rose by 8.2% and 11.2% in 2024. Disposable income also increased, albeit at a slower rate (2023: 8.1%, 9m 2024: 5.6%, on an annual basis).

Graph 1 provides a summary of the predominant phases observed over the past twenty years, focusing on the nexus between net Foreign Direct Investment (FDI) flows in real estate (horizontal axis), house price

Graph 1. Determining Greece's Real Estate Price Trajectory: Credit vs. FDI



Note: The **size** of the bubble represents the **gross flows of new housing loans**. The **colour** of the bubble highlights the **house cycle phase**, i.e. pre-crisis (light blue), crisis (dark blue) and recovery era (red). The observation for 2024 corresponds to 9months figures for house prices and net FDI.
Source: Bank of Greece

[4] In Greece the homeownership ratio reached its peak in 2010 (77.2%).

changes (vertical axis), and gross mortgage credit flows[5] (size of the bubble). For the purposes of this analysis, three distinct periods can be identified. Prior to the global financial crisis of 2008, high rates of change in house prices were largely driven by a surge in mortgage lending, as evidenced by the substantial increase in the size of the bubbles. The level of FDI flows was relatively modest. During the economic crisis, there was a significant decline in residential property prices, with a 44% cumulative reduction from the peak in 2008 to the trough in 2017. This phase was also characterized by the still low FDI and decelerating credit growth. Consequently, from 2018 onwards, house prices are on a recovery phase, primarily driven by FDI in real estate, largely due to the substantial growth of the home sharing economy and the Golden Visa program. However, the ongoing recovery phase is decoupled with mortgage lending, which remains subdued.

The social problem of housing affordability in Greece is currently being shaped by several interrelated factors, the resolution of which is of paramount importance. The prolonged economic downturn that followed the global financial crisis with a downfall in construction activity, the expansion of short-term rental arrangements and rising external demand, have collectively contributed to a situation where the affordability of both purchasing and renting property has become severely constrained in certain areas. Furthermore, the increasing average age of the housing stock, combined with the introduction of the property tax, has created difficulties for homeowners. Additionally, the high number of vacant homes, combined with an increase in home-sharing, reduced the supply of long-term rental housing. These factors led, *inter alia*, to the rising rents in recent years (HICP rent component percentage change, 2022: 1.3%; 2023: 4.8%; 2024: 5.1%). The above along with increasing housing expenses due to the energy crisis, resulted in the further increase of the overall housing cost burden. In several European countries, such as Germany and the Netherlands, there are extensive social housing programs that provide solutions to citizens. On the contrary, in Greece, the limited scope of such programs, especially during the economic crisis, made the problem more acute. However, in recent years the Greek government has adopted measures to address the housing issue, including the provision of rent subsidies and the implementation of building renovation programs. One important measure that could help alleviate the crisis is the return of vacant homes to the market; according to the 2021 Population-Housing Census (ELSTAT) vacant homes are estimated at 793.885, of which 32% are located in Attica and around 13% in the central district of Athens.

The initial impetus for undertaking this research study is to examine the evolution of housing affordability in Greece. To this end, we analyze on the one hand the dynamic interaction between demand and supply, which determines the value of houses, and on the other hand the impact of disposable income on the ability to pay rent or service a housing loan. On top of the above, our analysis is further supplemented with the results of a novel survey, which maps the housing needs of the Greek population, as well as current housing affordability concerns. This entails the examination of the ways in which demographic, social and geographical factors influence the housing priorities of new households. Additionally, we investigate the impact of the late emancipation from the parental home, the growth of the sharing economy and the expansion of remote work on the housing market.

The remainder of this **Insights** is structured as follows: **Section 2** delves into the diverse definitions and metrics of housing affordability through a cross-country analytical comparison across euro area. **Section 3** explores the recent drivers of housing affordability in Greece, focusing on: (i) the evolution of key demand and supply fundamentals, supporting the ongoing recovery in the domestic residential real estate market, along with (ii) the rise of new factors, such as the massive expansion of home sharing economy in tandem with strong tourism performance and the increase of remote work during the COVID-19 pandemic. Sections 4 to 7 present the survey results on housing affordability; **Section 4** portrays the current state and perceptions on housing tenure; **Section 5** elaborates on the views of respondents on housing affordability; **Section 6** illustrates housing choices, such as demand for purchase or rent and for financing; **Section 7** discusses the expectations of the survey participants on house prices and rents. The impact of the interplay between the

[5] The amounts of new housing loans provided by the domestic credit institutions, according to the new loan agreements. Those amounts are included in the series of interest rates, on new euro-denominated loans vis-à-vis euro area residents, published by the Bank of Greece.

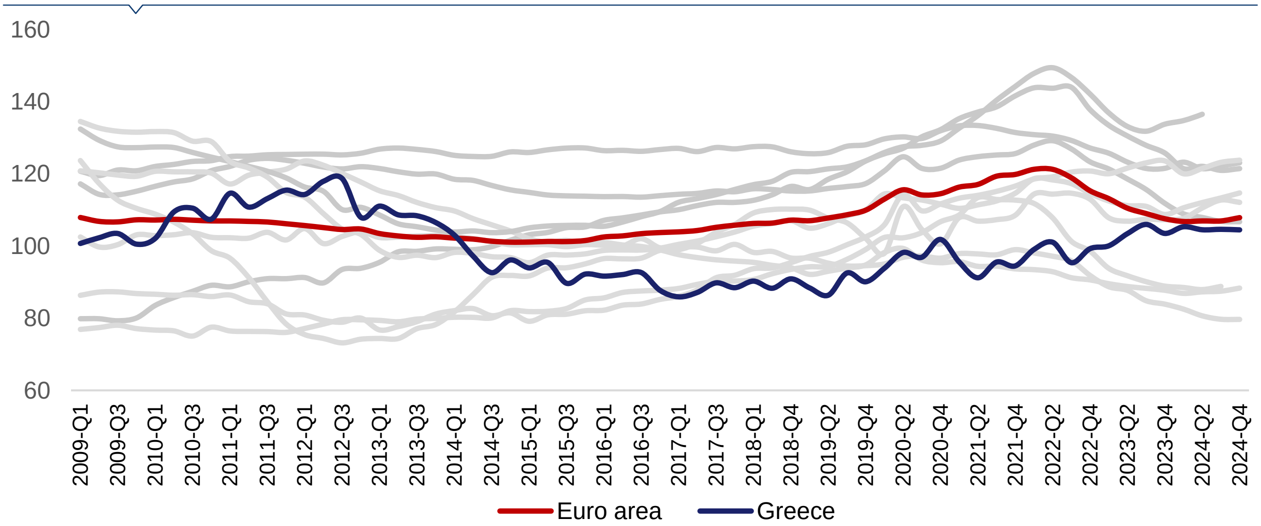
housing market and the sharing economy is analysed in **Section 8**, while a brief presentation of the housing policy in Greece is included in **Section 9**. Finally, **Section 10** concludes the paper and provides policy implications.

2. Aspects of Housing Affordability: Definitions and Measurement

In theory, housing policies are designed to meet the needs of low-to-medium income households whose incomes are insufficient to access suitable housing in the market without assistance and cover simultaneously other essential living expenses. According to Stone (2006) housing affordability refers to the balance that households must achieve between the cost of their housing and their other expenditures, considering their income. It comprises of both social and material aspects of individuals' housing situations and the financial constraints they face. However, despite the importance of housing affordability, there is still no consensus on a single, comprehensive, universally accepted international definition or measure; a single metric that fully encompasses all the concerns related to the ability of households to obtain adequate housing, in an appropriate location, at a reasonable cost (OECD, 2021).

In this section we attempt to evaluate housing affordability in Greece, presenting several metrics and statistics. A plethora of indicators have been put forth to gauge housing affordability, spanning a spectrum from straightforward to more sophisticated approaches. The most common approach is the **price-to-income ratio**, which provides a concise overview, at an aggregate scale, of the correlation between house prices and disposable income over time. This approach indicates that if house prices increase at a faster rate than incomes, the price-to-income ratio will rise, suggesting that housing becomes less affordable on average. **Graph 2** illustrates the standardized[6] price-to-income ratio across selected euro area countries over the past fifteen years. In 2023, the majority of euro area countries witnessed a decline in their price-to-income ratios which was the combined effect of the deceleration or decline in house prices and the increase of disposable income in nominal terms. However, these ratios remain in general above their historical, long-term average. In Greece, the price-to-income ratio reached 104.8 on average in 2024, up from 103.3 in 2023, standing

Graph 2. Standardized price-to-income ratio across selected euro area countries



Source: OECD (2024a), Prices: Analytical House Price Indicators

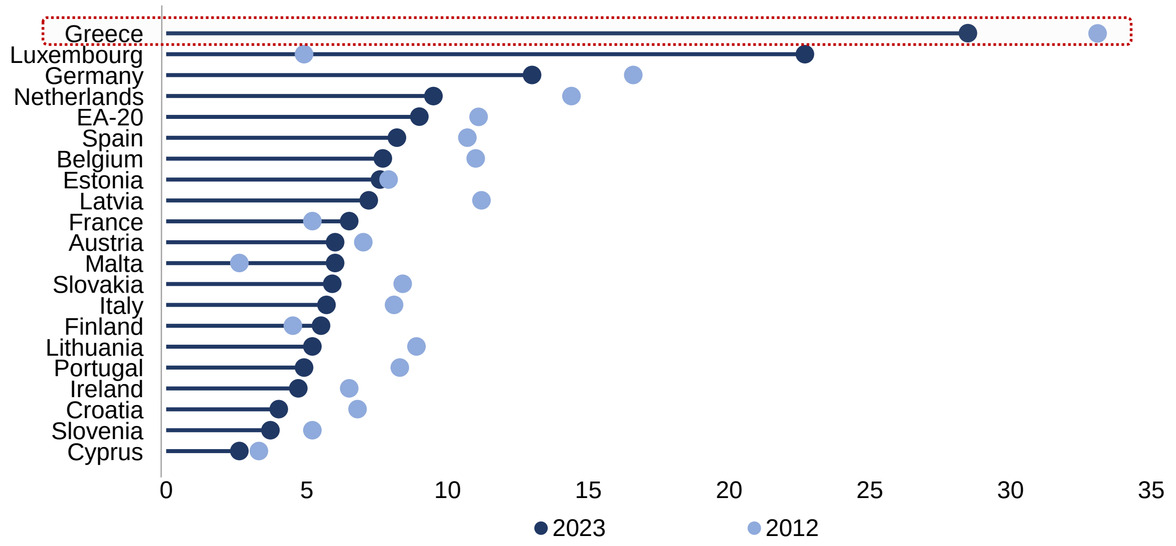
[6] According to the definitions in the OECD (2024a), "Prices: Analytical House Price Indicators": "*The standardized price-income ratio shows the price-to-income ratio relative to its respective long-term average. The long-term average, which is used as a reference value, is calculated over the whole period available when the indicator begins after 1980 or 1980 if the indicator is available over a longer time period. The standardized ratio is indexed to a reference value equal to 100 over the full sample period. Values over 100 indicate that the price-to-income ratio is above its long-run norms, providing an indication of possible housing market pressures.*"

above the long-term average, and signifying further affordability pressures. As seen in the graph, the respective euro area metric trended downwards from mid-2022 and during 2023, while it remained broadly flat in 9m 2024.

Despite its widespread use, the price-to-income ratio has been the subject of criticism on a number of grounds regarding its appropriateness. Following Svensson (2023), this metric of housing affordability is subject to important limitations as it fails to consider mortgage interest rates and other additional housing-related expenses. In this respect, this approach disregards important information and when considered in isolation, can be misleading.

A second metric used to measure housing affordability is the **housing cost overburden rate**. This indicator, according to Eurostat, gauges the proportion of the population living in households that allocate 40% or more of their disposable income towards housing costs, encompassing rental or mortgage interest payments and the cost of utilities such as water, electricity, gas, or heating (without taking into consideration housing allowances). One merit of this metric is that it accurately reflects the real financial strain experienced by households due to housing expenses, by focusing on the percentage of disposable income spent on housing costs. However, a drawback of this approach is the use of a fixed threshold of 40%, which may not accurately reflect the diverse financial situations of households across the income distribution, while lacking information on the quality of housing (OECD, 2021[7]).

Graph 3. Housing cost overburden rate across euro area countries
(%)



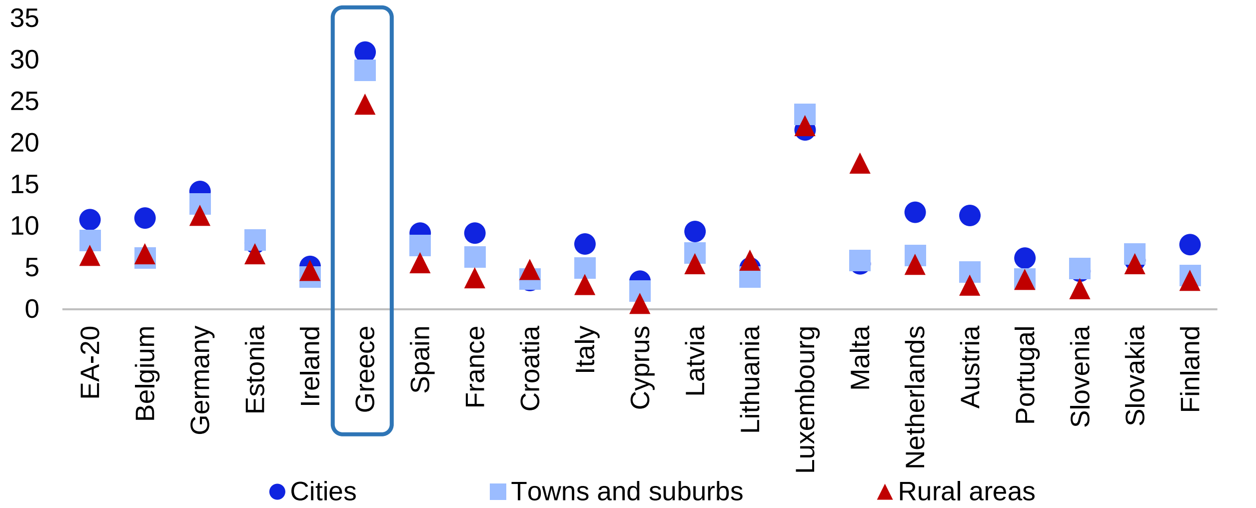
Source: Eurostat, European Union Statistics on Income and Living Conditions (EU SILC) survey

Graph 3 presents a cross-country comparison of the housing cost overburden rate among the euro area countries over the last decade (2012 vs. 2023). The majority of euro area countries have witnessed a decline in the housing cost overburden rate over the course of this period. In 2023, the highest rates of housing cost overburden were observed in Greece, followed by Luxembourg and Germany. While the majority of affordability measures are taken at a national level, it is important to recognize that housing affordability also varies according to the degree of urbanization. Specifically, **Graph 4** displays the housing cost overburden rate in 2023, differentiated into major urban centers, towns and suburbs, and non-metropolitan regions (rural).

[7] The determination of the threshold is fixed and therefore lacks consistent significance throughout the income distribution. For instance, for households with low income, allocating 10% or 20% of their total income towards housing expenses may result in insufficient funds for other essential goods (OECD, "Overview of Affordable Housing Indicators", 2021).

In the majority of countries, the highest (lowest) housing cost overburden rates are observed in cities (rural areas), whereas towns or suburbs lie typically in between.

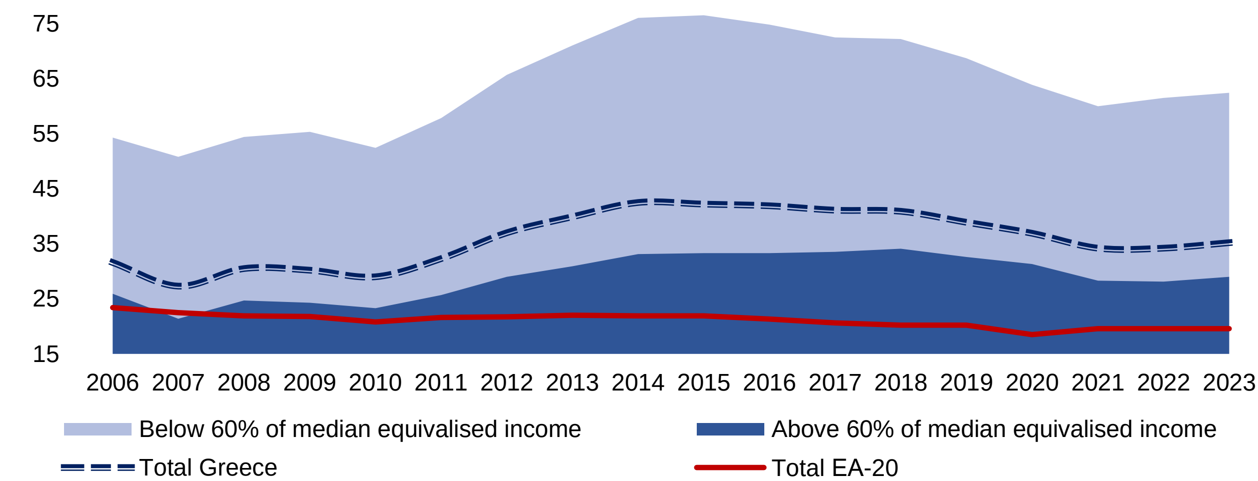
Graph 4. Housing cost overburden rate by degree of urbanisation
(%, 2023)



Source: Eurostat, European Union Statistics on Income and Living Conditions (EU SILC) survey

An alternative approach for assessing housing affordability is the **share of housing costs in total disposable income** (**Graph 5**). In Greece, 35.2% of household disposable income was dedicated to housing costs[8] in 2023, significantly higher than the corresponding EA average (19.6%). For those with a disposable income below 60% of the national median, i.e. that could be regarded at risk of poverty, the average share of housing costs in disposable income was 62.4%. This indicates that a significant proportion of lower-income households are struggling to cope with housing costs. On the other hand, the share of housing costs in disposable income for those with above 60% of the median income, was 29% in 2023.

Graph 5. Share of housing costs in disposable household income by income group
(%)



Source: Eurostat, European Union Statistics on Income and Living Conditions (EU SILC) survey

[8] According to Eurostat housing costs include the cost of utilities (water, electricity, gas, and heating), maintenance and repair costs, as well as taxes. For homeowners, the housing cost calculation includes mortgage interest payments net of any tax relief, and gross of housing benefits. For tenants, the calculation includes rental payments gross of housing benefits.

Box I. Housing tenure demographics: international comparisons

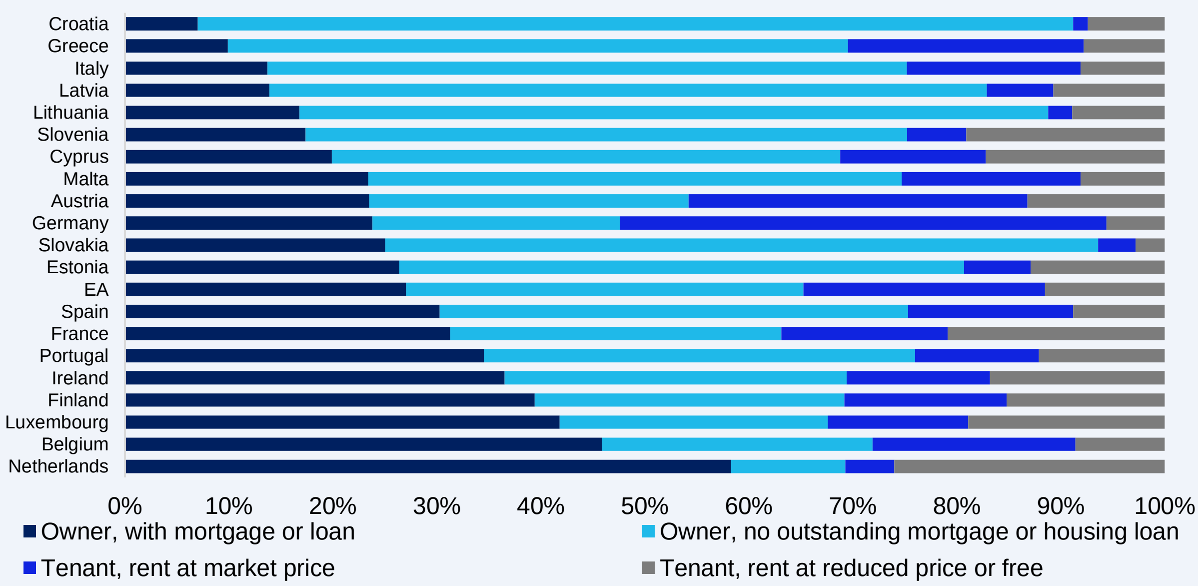
Housing tenure refers to 'the arrangements under which the household occupies all or part of a housing unit' (OECD, 2024b[9], p.1). The different types of housing tenure can be distinguished[10] as follows:

- *Outright Owner*: The owner has no outstanding mortgage related to the main dwelling.
- *Owner with mortgage*: The owner of the dwelling is currently paying a mortgage.
- *Tenant (at market price)*: Renting the dwelling at market prices on the private rental market.
- *Tenant (at reduced price)*: Renting the dwelling at reduced market prices, e.g. social housing, employer-subsidized housing or accommodations where rent is fixed by law.

The proportion of population owning or renting their accommodation varies considerably over time and across EA countries (**Graph 6**). However, in all EA member states, except for Germany, the largest share of people owns their dwelling, of which the vast majority being outright owners (exceptions to this case in 2023 are the Netherlands, Belgium, Finland, Ireland and Luxembourg). The significance of homeownership was exacerbated in times of high inflation or strict financial regulation, as it was the sole investment option for households aiming to protect their savings (Brissimis and Vlassopoulos, 2009). In almost half of euro area countries, renting at a market rate is the most common form of tenure (e.g., Germany (46.8%), Austria (32.6%)), while renting at a reduced price is most common, among others, in the Netherlands (25.2%) and France (20.9%). In Central and Eastern Europe, high homeownership rates were the outcome of dwellings privatization, through which tenants were provided with the option to purchase their homes, in the post-communist era (OECD 2024b).

In Greece, 69.6% of the population owned a dwelling in 2023 vs. 65.2% in the euro area. This represents a decrease of 7.6 pps from the peak recorded in 2010. Furthermore, the share of owners with an outstanding mortgage has decreased progressively, reaching its lowest point in 2023 (9.9%) from 17.5% in 2010. Subsequently, the share of people renting a dwelling reached its peak in 2023 to 30.5%. Meanwhile, the proportion of households renting at a reduced rate has remained relatively low over time.

Graph 6. Housing tenure distribution across euro area countries
(%, 2023)

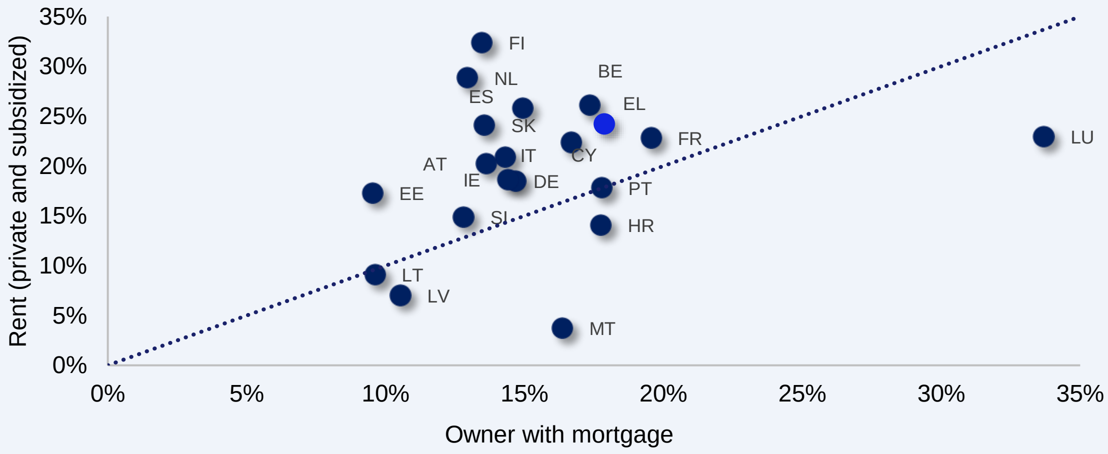


Source: Eurostat, European Union Statistics on Income and Living Conditions (EU SILC) survey

[9] OECD (2024b), OECD Affordable Housing Database - indicator HM1.3 Housing tenures, https://oe.cd/ahd.
[10] The definitions are drawn from OECD (2024b). For additional details regarding definitions, classification and measurement see Eurostat (2022) "Methodological guidelines and description of EU-SILC target variables".

Graph 7 depicts the households' housing cost burden, defined as the median mortgage burden (principal repayment and interest payments), or rent burden (private market and subsidized rent), as a share of disposable income (2022 data) by ownership type (OECD, 2024b). As illustrated, in the majority of euro area countries, the median housing mortgage costs are lower than the median rent costs in 2022. Croatia, Latvia, Lithuania, Malta and Luxembourg represent exceptions to this pattern, exhibiting the highest share of housing burden related to mortgage costs across the euro area. In Greece, the median rent burden (as % of disposable income) for tenants stood at 24% compared to 18% for borrowers with a mortgage. Since 2010, the median rent burden as a share of disposable income for tenant households has remained consistently above the respective mortgage cost burden, while both shares reached their peak in 2013 at 28.2% and 20.7% respectively.

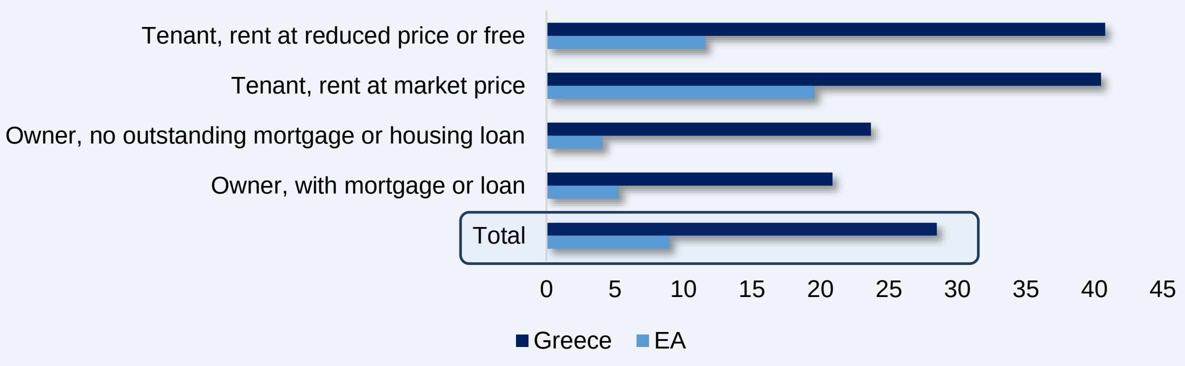
Graph 7. Households' housing cost burden (mortgage and rent costs)
(% of disposable income, 2022)



Source: OECD (2024), OECD Affordable Housing Database

As previously stated, a household is considered "overburdened" if its costs ("net" of housing allowances) for rentals, mortgage interest payments and utility expenses exceed 40% of its disposable income. **Graph 8** depicts the housing cost overburden rate by tenure status in Greece and the EA in 2023. Both in Greece and the EA, the housing costs overburden rate is higher for tenants than for owners, irrespective of whether they have a housing loan. In particular, the overburden rate for tenants in Greece was approximately 41% in 2023, compared to 22% for owners, whereas in the EA the respective ratios were 16% and 5%.

Graph 8. Housing cost overburden rate by tenure status: Greece vs. EA
(%, 2023)



Source: Eurostat, European Union Statistics on Income and Living Conditions (EU SILC) survey

3. Drivers of Housing Affordability

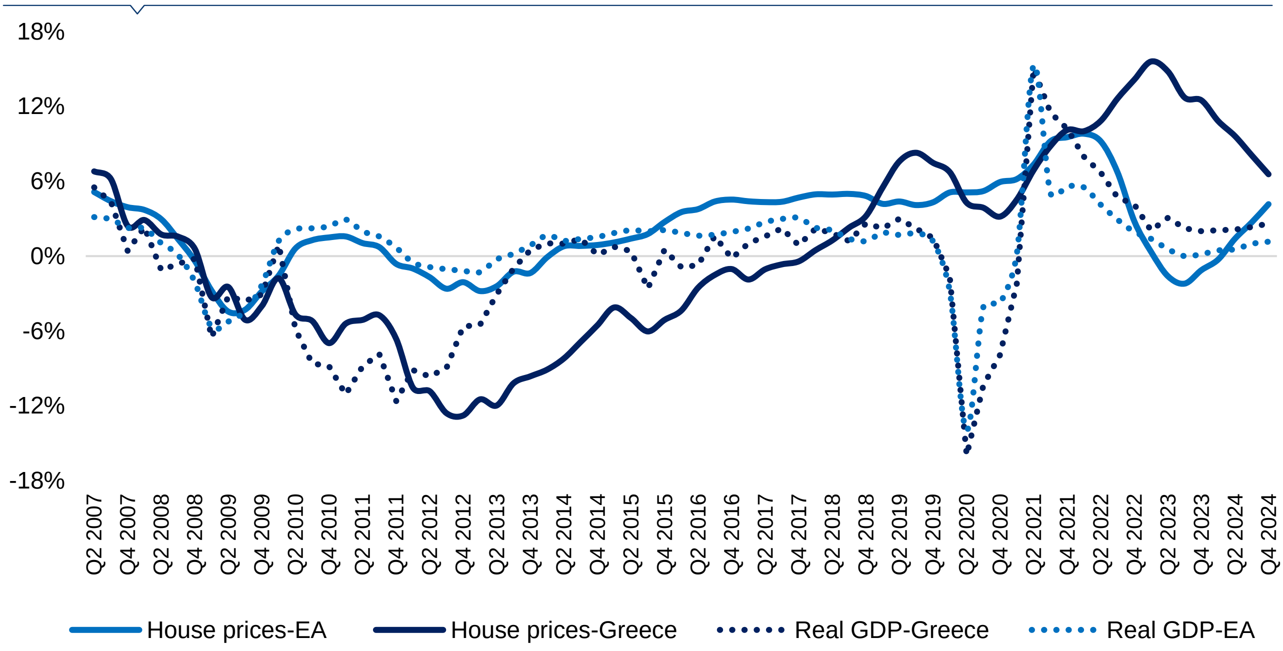
The objective of this section is to decompose the price-to-income ratio, one of the most commonly used metrics of housing affordability and to examine the manner in which the numerator (house prices) and the denominator (disposable income) affect the trajectory of the index and consequently, housing affordability in Greece. We also elaborate on side factors that impact the ratio and its components, such as demand and supply in the housing market, the evolution of credit and borrowing costs as well as household wealth.

3.1 Demand, Supply and Price Fluctuations

The fluctuations in house prices are largely synchronous with those of business and credit cycles, particularly during periods of economic downturn (see ECB, 2015). The severe and protracted economic crisis in Greece resulted in a cumulative real GDP contraction by over a quarter, accompanied by a surge in the unemployment rate, skyrocketing to record highs (27.5%) in 2013. From the peak observed in the third quarter of 2008 to the trough in the third quarter of 2017, nominal house prices in Greece experienced a cumulative drop by 42%.

From 2018 onwards, the Greek residential real estate market returned to a sustained recovery phase, with accelerating annual house price dynamics during 2021-2023 (2021: 7.6%; 2022: 11.9%; 2023: 13.9%). Despite the heavy toll the pandemic took on economic activity in 2020, house prices growth both in Greece (2020: 4.5%; 2021: 7.6%) and the euro area (2020: 5.3%; 2021: 8.1%) remained resilient (**Graph 9**), also related to the prevailing low-interest rate environment at the time. In Greece, the positive dynamics of housing investment (2020: 19%; 2021: 32%) and private building activity (2020: 5.9%; 2021: 45.9%, in terms of volume (m^3)) remained robust during the pandemic, in alignment with the booming residential real estate prices. The strong house price growth in the domestic real estate market continued in 2024 (8.7%), though at a decelerating annual pace throughout the year. Up until the fourth quarter of 2024, the residential property prices index almost reached its peak (Q3 2008: 102.2; Q4 2024: 101.9). On the other hand, euro area house prices declined by 1.2% in 2023, before rebounding by 2% in 2024.

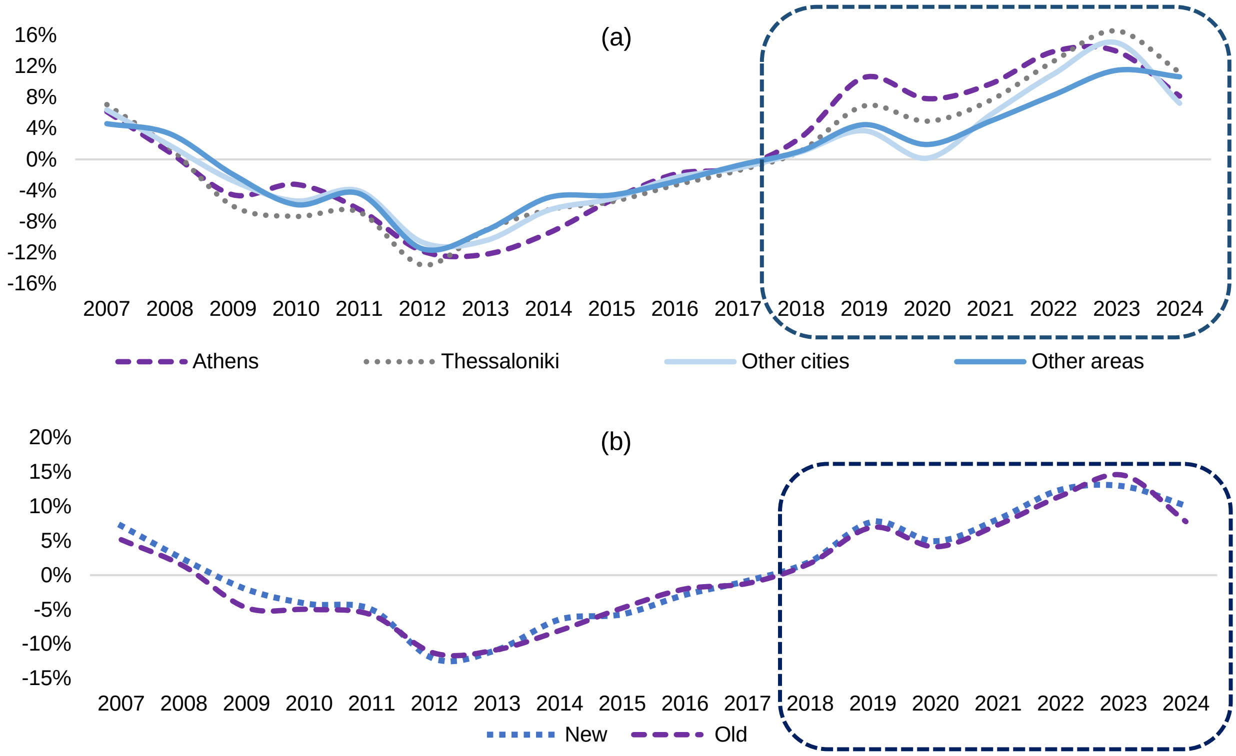
Graph 9. Business and House Price Cycles: Greece vs. Euro area
(annual % change)



Source: Eurostat, European Central Bank

Following the regional breakdown of the index, the rise in house prices since 2018 is broad-based across Greece, though, more pronounced in Athens and Thessaloniki compared to other cities and other areas (**Graph 10a**). Since the onset of the recovery in 2018 and up until 2022, house prices for new (i.e., up to 5 years old) apartments grew faster compared to old (**Graph 10b**), reflecting, *inter alia*, the rise in material costs in 2021-2022.

Graphs 10a & 10b. Residential Real Estate prices: New vs. Old and Athens vs. other areas
(% change)



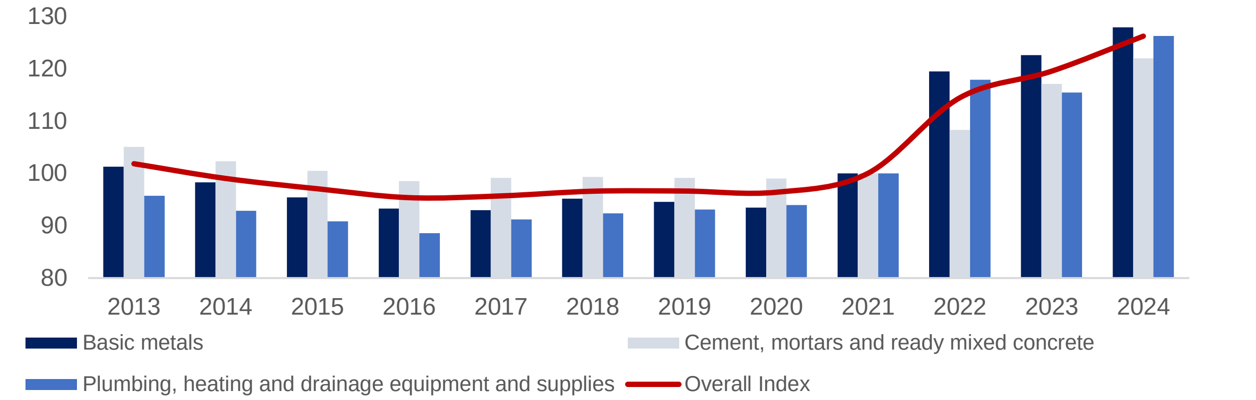
Note: Provisional figures for 2024.

Source: Bank of Greece

In particular, the material costs index in the construction of new residential buildings[11] recorded an average increase of 14.4% in 2022, compared to 3.8% in 2021. The upward trend in energy prices began in the autumn of 2021 and intensified following the Russian invasion of Ukraine. In addition, rising demand, following the easing of restrictive measures as well as, the supply chain disruptions which increased transportation and production costs in the aftermath of the pandemic, led to the surge of construction costs in 2022 (**Graph 11**). All individual material cost categories rose sharply; the three categories that make up almost 55% of the overall index, i.e. cement, basic metals and plumbing, heating and drainage equipment and supplies increased by 8.3%, 19.4% and 17.8%, respectively, whereas fuel for machinery (diesel), electricity and water (49.0%), and electrical equipment (22.3%) also registered steep increases. In 2023 and 2024, the material costs index in the construction of new residential buildings continued to increase, though more moderately.

[11] According to the ELSTAT definition this index measures the prices of building materials paid by the constructors in the construction of new residential buildings.

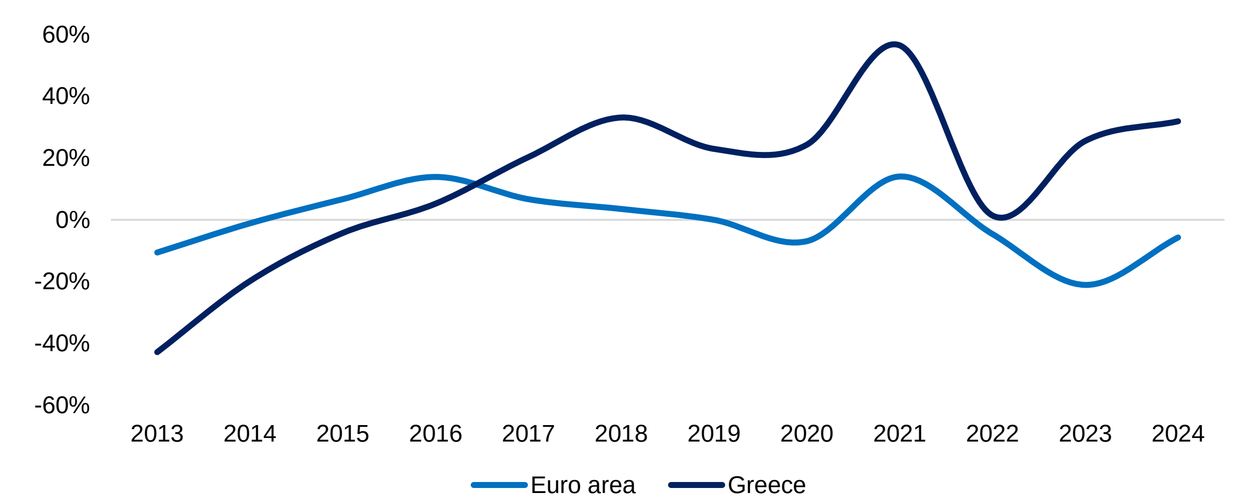
Graph 11. Material Costs Index in the Construction of New Residential Buildings (2021=100)



Source: ELSTAT

On the supply side, residential investment remains on an upward path, rising by an average of 28.4% per annum in the last three years. Furthermore, as evident in **Graph 12**, since 2016, the building permits index in Greece (measured in m^2 of floor area) for residential buildings (excl. residences for communities, as for instance residences for the elderly) followed a strong upward trend (with the exception of 2022), recording substantial increases (24.6%, on average, during 2016-2023). In addition, the number of real estate transactions[12] in Greece continued to rise in 2023 by 8.8%, reaching 122.1 thousand from 112.3 thousand in 2022 (2022: 7.2% growth).

Graph 12. Building Permits for Residential Buildings (m^2 of useful floor area, % change)



Source: Eurostat

The recovery phase of domestic residential property prices from 2018 onwards has been supported by the solid GDP growth dynamics over the past years[13], highlighting the co-movement of business and house price cycles, evidenced by several studies (see, for example, ECB (2015)). In addition, other studies have explored the macroeconomic determinants of house prices including, *among others*, Adams and Füss (2010), Tsatsaronis and Zhu (2004), Panagiotidis and Printzis (2016). Furthermore, the solid growth performance

[12] Based on the number of notarial deeds by ELSTAT; a deed may relate to more than one real estate property or share/s of immovable property.
[13] With the exception of 2020 during which the outbreak of the COVID-19 pandemic and the stringent lockdown measures and travel restrictions led to the sharp decline of real economic activity by 9.2%.

and the continuous improvement in labor market conditions, the strong growth dynamics of residential prices in Greece in the recovery era are linked to the sharp rise in FDI for real estate. Since 2018, FDI net flows related to real estate recorded strong growth, increasing by 29% in 2024, reaching a two decades-high (€2.8 billion, corresponding to 1.2% of GDP). On the contrary, during the current recovery phase, the buoyant growth of residential real estate prices is decoupled with mortgage lending; the net annual credit growth for housing loans in the domestic banking system remains in negative territory (2023: -3.5%; 2024: -2.6%).

Apart from the business cycle and the evolution of FDI flows that shape the current growth dynamics of house prices in Greece, there are also some additional non-fundamental drivers, which are linked to the strong tourism performance: the remarkable development in the short-term rental market over the past years *via* the home-sharing economy (see **Box III**) and the Golden Visa program which offers residency in Greece to non-EU investors purchasing real estate property. According to the latest amendments in the respective legal framework (Law 5100/2024), this is restricted to a single property with a value of €800.000 in certain regions (including Attica, the regional units of Thessaloniki, Mykonos and Thira and the islands with population above 3.1 thousand residents) and €400.000 in the remaining regions of the country. In addition, the properties acquired within the Golden Visa program cannot be used as short-term rentals in the context of home-sharing economy. On top of the above, the advent of remote work, particularly in the wake of the pandemic, represents a novel factor influencing housing demand (see **Box II**).

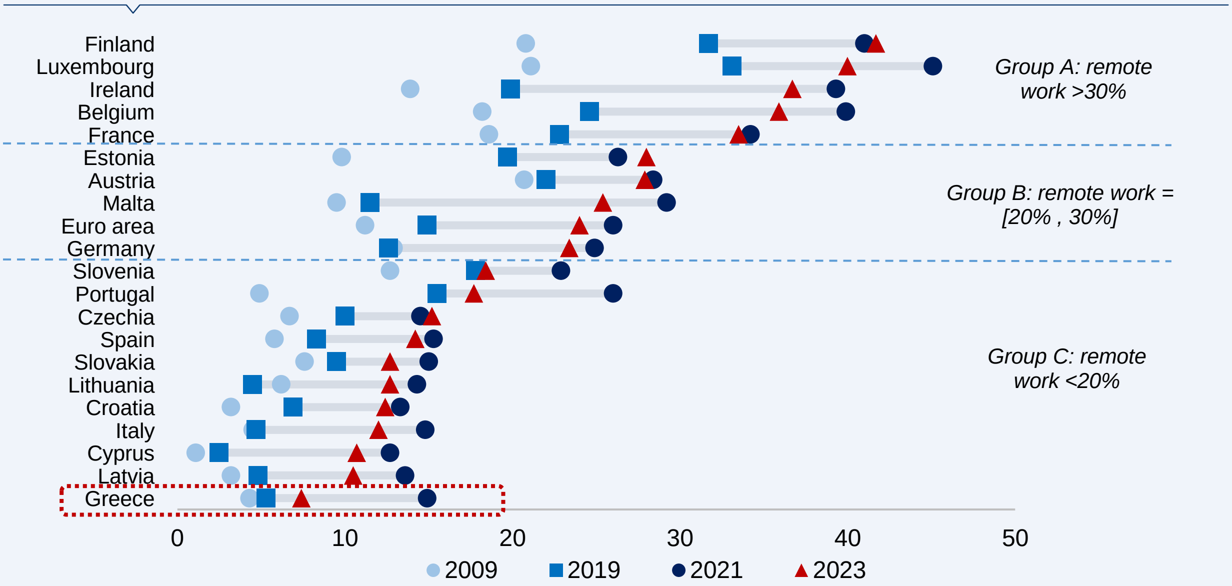
Box II. Remote work and the geography of housing demand

The term "remote work" or "telecommuting" refers to the practice of working from a location outside of a traditional office, often from one's own home or another remote location (for a review see also Allen et al., 2015). **Graph 13** illustrates the share of the employed population working remotely "sometimes" or "usually" (as % of total employment) across the euro area countries, classified into three groups (based on 2023 shares). Several findings clearly emerge. From a historical standpoint, remote work patterns vary considerably across countries and over time. Notably, the majority of euro area countries have witnessed an increase in the remote work ratio in 2019 compared to 2009. However, following the COVID-19 outbreak in 2020 and the associated lockdown measures and travel restrictions that were implemented, this practice became vital. As a result, the ratio of employed population working remotely surged between 2019 and 2021 across euro area countries. In Greece, for example, the proportion of employed persons working remotely (as % of the total employment) in 2019 was 5.3% marginally higher than in 2009 (4.3%). By 2021, this figure had almost tripled, reaching 14.9%.

In addition, remote work remained pervasive in the post-COVID working patterns, mostly in a hybrid manner rather than a full-time working arrangement (e.g. Barrero et al. (2021); Schulz et al. (2023)). As seen in the Graph, although the majority of countries have experienced a decline of remote work between 2021-2023, this share remains markedly higher compared to 2019. Furthermore, it is evident that there is considerable variation in telecommuting patterns across countries. Based on 2023 data, Finland, Luxembourg and Ireland are among the countries of Group A, with the highest telecommuting ratios, i.e. higher than 30%. Group B includes Germany, Austria and Estonia, with lower telecommuting ratios, ranging between 20% and 30%. Group C includes countries such as Greece, Cyprus and Italy, with a telecommuting ratio of less than 20%.

The shift to remote work and its impact on house prices and rents, housing preferences and more broadly the geography of housing demand has received growing attention in the literature. The empirical analysis by Mondragon and Wieland (2022) corroborated the pronounced effect of remote working on US house prices and rents during the pandemic. Similarly, the findings of Ramani and Bloom (2021) have highlighted the emergence of the "Donut Effect" i.e., the relocation from city centers to suburbs and its effect on housing demand as reflected in the evolution of house prices and rents. Their evidence also shows that the "donut effect" is typically observed in large city centers. As a result, this led to changes in the slope of the bid-rent curve[14] as house prices rose faster in the suburbs than in the centers (see Gupta et al. (2022)). In addition, as more people work remotely, there may be less need for traditional office space (Bergeaud et al. 2023). However, these developments could eventually free up commercial property for conversion to residential use or for the redevelopment into other types of buildings.

Graph 13. Employed persons working remotely
(% of the total employment, age group 15-64)



Source: Eurostat

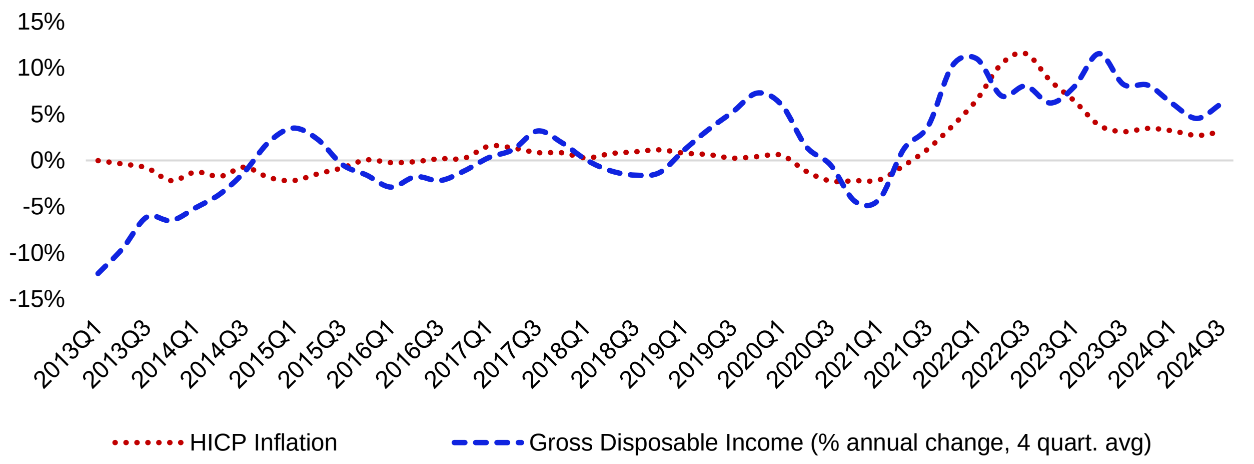
3.2 Income and Wealth

In consideration of the denominator of the price-to-income ratio, the challenges faced by Greece since 2010, including the economic crisis and the implementation of austerity measures, have had a cascading effect on disposable income, which in turn has influenced housing affordability. High unemployment rates, for instance, directly impacted income levels, creating significant obstacles for individuals seeking to enter the housing market.

The protracted period of declining economic activity and employment rates led to the unprecedented deterioration of the nominal disposable income of households (-33% cumulatively during 2009-2017). Households' gross disposable income started growing from Q3 2018 onwards, except for the years of the pandemic crisis (**Graph 14**), the latest read being Q3 2024 (6.1%, 4-quarter moving average). It is notable that approximately more than half of the losses incurred during the economic crisis have already been recovered. However, in real terms, disposable income has been negatively affected by inflationary pressures in 2022 (9.3%) and 2023 (4.2%), following the Russian invasion of Ukraine.

[14] The bid-rent function demonstrates how house prices and rents are influenced by their distance from the city center. Typically, properties located in the city center are more expensive than those in the suburbs, *among others*, due to the limited availability of land for development in city centers and their closer proximity to workplaces (Gupta et al., 2022).

Graph 14. Households' disposable income and inflationary pressures

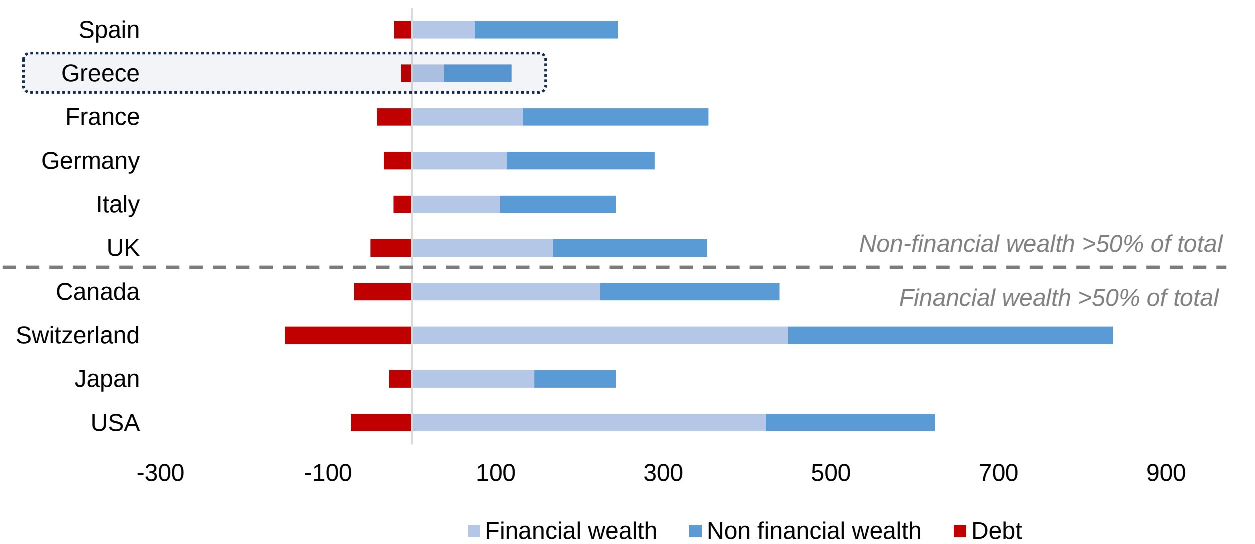


Source: ELSTAT

In addition to disposable income, the concept of households' wealth is a crucial element in evaluating housing affordability. Real estate constitutes a significant component of non-financial wealth. Types of wealth are usually communicating vessels feeding each other. Thus, an analysis of all types of wealth allows for a more comprehensive understanding of household finance decision making (Haliassos, 2012).

Households' net wealth is defined as the sum of the current value of financial (i.e. liquid assets and transferable securities) and non-financial (primarily approximated by real estate) assets, from which private debt has been deducted (see UBS, Global Wealth Report, 2023). As seen in **Graph 15**, the proportion of non-financial wealth to the total wealth in Greece (expressed in USD) is the second highest (68%) after Spain (69%), among the selected countries. This can be explained by the deep-rooted cultural preference in Greece for real estate ownership, often viewed as a secure and tangible form of wealth. This preference is historically grounded, with property often passed down through generations. As a result, real estate holds significant value and is a fundamental component of households' wealth portfolios. On the contrary, in some of the world's largest economies such as US, Japan, Switzerland and Canada, where global financial centers operate, financial wealth constitutes more than 50% of total gross wealth.

Graph 15. Composition of wealth per adult in selected countries
(2022, thousand $)



Source: UBS "Global Wealth Databook 2023"

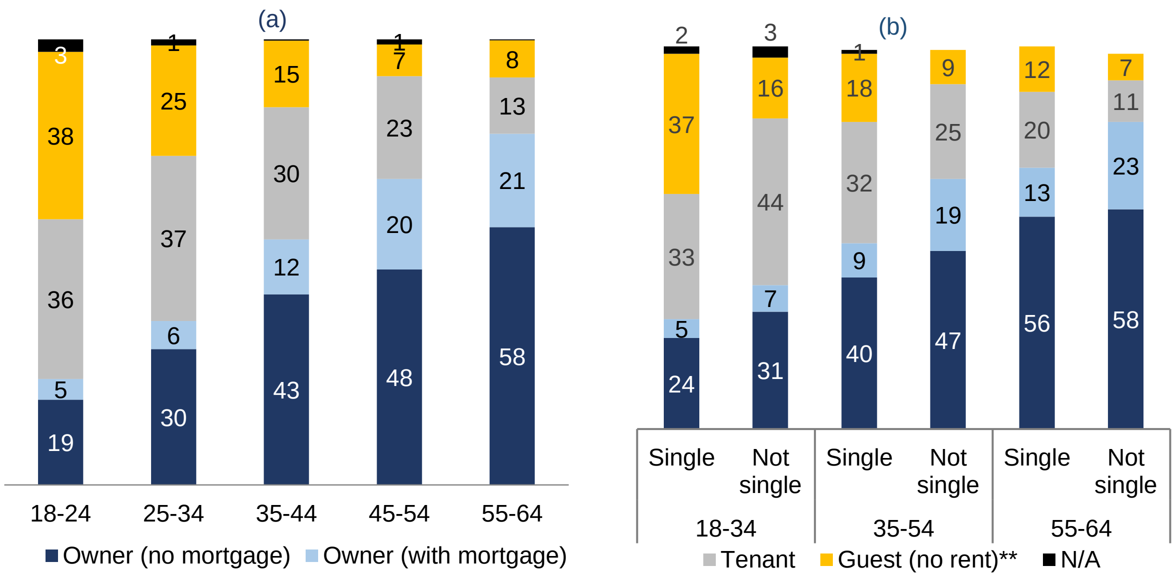
4. Housing tenure in Greece

Housing is an ongoing challenge for modern Western societies and Greece is no exception. A policy document by the European Commission ("Social housing and beyond", April 2024), highlights that the housing crisis is a widespread issue throughout the EU; the severity of the crisis varies among member states, with a significant number of Europeans facing difficulties in securing affordable and decent housing. It is therefore crucial, apart from analysing available data and information that concern the housing market in Greece, to consider society's point of view on the matter. QED[15], a Greek, full-scale, market and social research institute based in Greece, conducted a survey on behalf of Alpha Bank, with the objective of evaluating the current state of the domestic housing market. The survey focused on individual perceptions[16] regarding key housing market trends and developments including house prices and rents, housing costs, demand for housing and financing, as well as the factors affecting housing affordability. It covered a representative country-wide sample of 2,019 individuals, aged 18-64, stratified by gender, age, and region, and was conducted between May 10th and June 6th, 2024. The research methodology used was mixed mode, with 45% of interviews conducted through the telephone (Computer Assisted Telephone Interviewing) and 55% online (Computer Assisted Web Interviewing).

4.1 Current State and Demographics

The results of the survey[17] corroborate the official data, confirming that **homeownership is a prevalent phenomenon in Greece** (see **Box I**). **The proportion of homeownership increases with age**, reaching

Graph 16. Housing tenure status by (a) age group and (b) relationship status***
(% of total)



Q: What is your current housing status, as far as your main current residence is concerned? (N=2,019)

Note: (**) Individuals that are provided with accommodation.
(***) Not singles are defined the respondents who are living together, or are married/ in a cohabitation agreement, whereas singles are the respondents pertaining to all other categories.

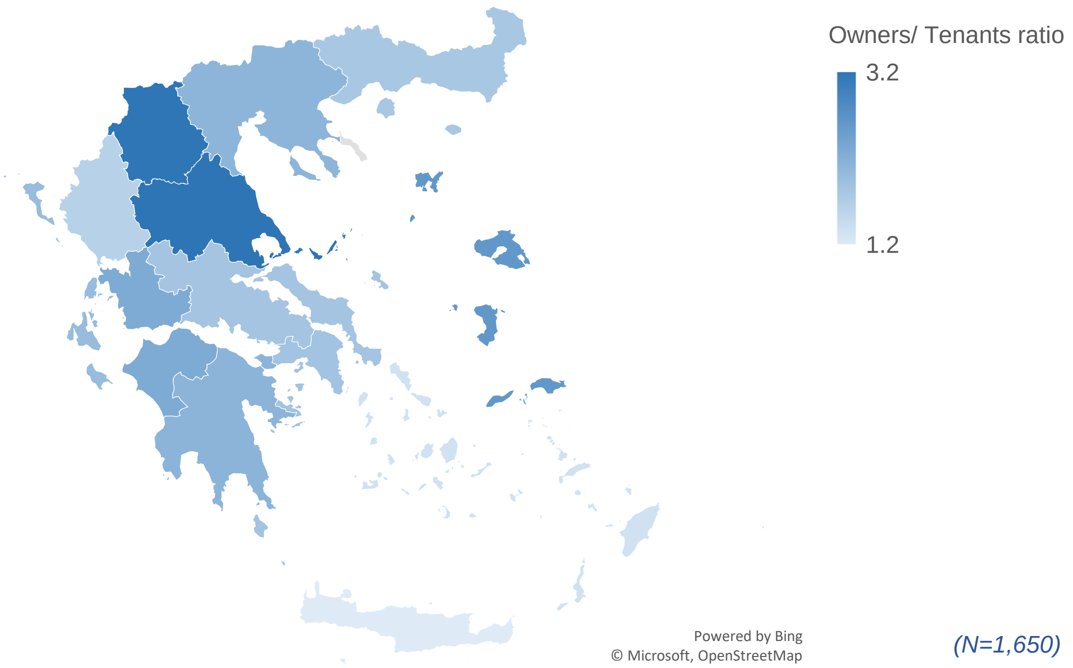
[15] QED is a member of ESOMAR (European Community for Opinion and Marketing Research), of SEDEA (Association of Greek Market and Opinion Research Companies) and of PESS (Quality Control of Data Collection) and thus abides with their code of Ethics.
[16] The main difference of our survey compared to the EU-SILC survey, is that the final sampling unit is the individual respondent. The EU-SILC survey is conducted every year by Eurostat in EU member states, with the aim to collect data on incomes, living conditions and social inclusion, primarily at a household level, whereas our survey attempts to capture the attitudes, perceptions, behaviors and needs of Greeks on housing issues.
[17] In the current and the remaining sections where the results of the survey are presented the following apply: (i) the percentages in some cases do not add up to 100% due to rounding, (ii) results with less than 60 observations are denoted with an asterisk (*) and are provided for illustrative purposes only.

almost 80% for the 55-64 age group (**Graph 16a**). In addition, it seems that the average age for moving out of the family home is 35 years old. This is evidenced by the decline in the percentage of individuals who state they are guests, i.e. provided with accommodation, from 38% for young people aged 18-24 and 25% for the 25-34 age group, to 15% for the 35-44 age group. This finding is broadly in line with the Eurostat figures, according to which the estimated average age of young people leaving the parental household in Greece in 2023 is 30.6 years old, the third highest among EU member states after Croatia (31.8) and Slovakia (31). Typically, in Southern European countries (e.g., Spain, Italy, Cyprus, Portugal), young people leave their parental household at an older age – usually in their early thirties or late twenties - compared to Northern Europe (e.g., Finland (21.4); Sweden (21.8); Denmark (21.8)). Additionally, 35 years of age appears to be the starting point for the acquisition of a housing loan; the share of respondents within the age group 35-44, who define themselves as homeowners with a mortgage, doubles to 12%, compared to 6% for those aged between 25 and 34 years old.

The "relationship status" of an individual, defined as whether they are single or in a relationship, appears to **be a significant determinant of housing status across all age groups** (**Graph 16b**). The influence is particularly pronounced among younger age groups (18-34), where the proportion of individuals who are not single and rent or own their home, is markedly higher compared to the singles' population. In particular, 44% of respondents up to 34 years old who are in a relationship are renting, whereas 7% are owners with a mortgage and 31% are owners without a mortgage. This also suggests that approximately one-third of the younger generation has likely been provided with housing by their families, which appears to be a cultural characteristic of the Greek society. According to Dagkouli – Kyriakoglou (2018) the importance of family has historically played an important role in housing practices in Greece. The late emancipation from the parental home, financial support for housing as well as passing down the family home to the next generations are typical examples of that.

On the other hand, 37% of respondents in the same age group (up to 34 years old) who are singles, define themselves as guests and another 33% are tenants. Finally, less than 30% are homeowners with or without

Graph 17. Owners-to-Tenants ratio per region



(N=1,650)

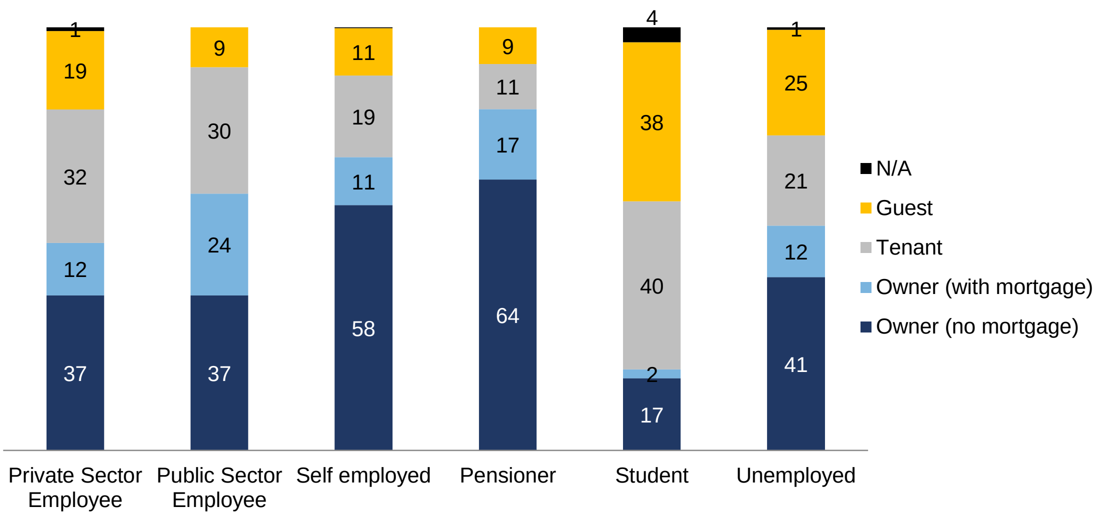
Note: The percentages are indicative for the Ionian islands and the South Aegean, given the relatively small sample size (<60 respondents).

a mortgage. It is also worth noting that the vast majority of people belonging to the older generation (55-64) live in owner-occupied dwellings, while more than 55% do not pay a mortgage, regardless of their relationship status.

With regards to the housing tenure status by degree of urbanisation **homeownership rates are higher in rural compared to urban areas**. Furthermore, the ratio of owners to tenants is close to the national average in Attica (1.9) and Central Macedonia (2.1). The regions of Thessaly and Western Macedonia exhibit the highest ratio of 3.2, followed by the North Aegean at 2.6 and Western Greece at 2.3. Conversely, the lowest ratios are observed in Crete at 1.2 and Epirus at 1.6 (**Graph 17**).

The analysis of the profession of respondents (**Graph 18**) also reveals that the proportion of individuals who own their residence **without repaying a housing loan** is **higher among pensioners** (64%) **and the self-employed** (58%) compared to other professions. Additionally, **one-quarter of civil servants are homeowners with a mortgage**, representing the highest relative percentage compared to all other categories. Conversely, as anticipated, the largest proportion of **guests** (38% and 25% respectively) is observed among **students and the unemployed**. The disparate percentages observed among professions can be attributed to a range of socio-economic factors. For instance, it is probable that pensioners obtained their housing loans prior to the economic crisis and thus, many of them have already repaid their loans. In addition, the higher share of respondents owing a house with a housing loan is cited among public sector employees who are typically associated with permanent employment contracts. Moreover, the identical percentages of private sector employees and the unemployed who are owners repaying a mortgage, could be explained by the fact that these two categories serve as communicating vessels, as nearly 80% of the unemployed previously held employment, primarily in the services sector (professionals, customer service, etc.).

Graph 18. Housing tenure status by profession
(% of total)



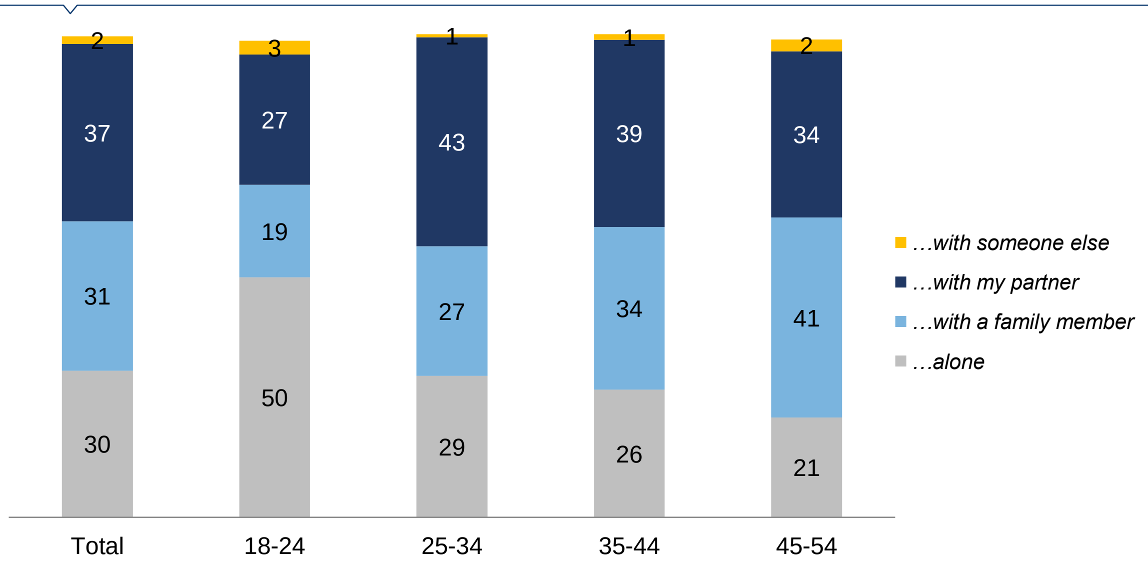
Q: What is your current housing status, as far as your main current residence is concerned?

With respect to the share of respondents who rent their main residence (**Graph 19**), it can be stated that the sample is **almost equally divided into three groups**: 37% live with their partners, 31% with a family member and 30% live alone. The remaining 2% live with someone other than the aforementioned categories. However, when age is considered, the ratios differ. **Young people who rent are most likely to live alone** (50% of those aged 18-24), while approximately four in ten aged 25-44 live with their partners. Those aged 45-54 who rent usually live with family members (41%).

It is also noteworthy that **in rural areas, only 23% of tenants live alone,** whereas the respective percentage in urban areas exceeds 30%. In contrast, tenants who live with their partners in rural areas account for 46%, compared to 37% in the sample of tenants.

In a nutshell, the high degree of homeownership and the rather late emancipation from the family home emerge as key characteristics of the Greek residential property landscape. In parallel, a deeper dive in the survey findings across the various age groups, reveals that the relationship status is a significant contributing factor in shaping and driving housing choices. In younger age groups, this factor is considered as the most influential in the decision to leave the family home, while in older age groups it stands out in the choice of applying for a housing loan. Based on the above, the survey analysis has identified three main groups of respondents who are likely to represent the core of future domestic housing demand. The first group comprises of young people (aged 18-34) who are currently living with their partners. The second group includes young adults (aged 18-34) who are provided with accommodation, typically living with their parents. The third group consists of married couples who are currently renting. Given the pivotal role that these three groups play in determining future demand on the domestic housing market, the subsequent sections will undertake a detailed examination of the relative survey results.

Graph 19. Renting status by age group: *I live…*
(% of total)



Q: Who do you live with at the house you are renting? (N=556)

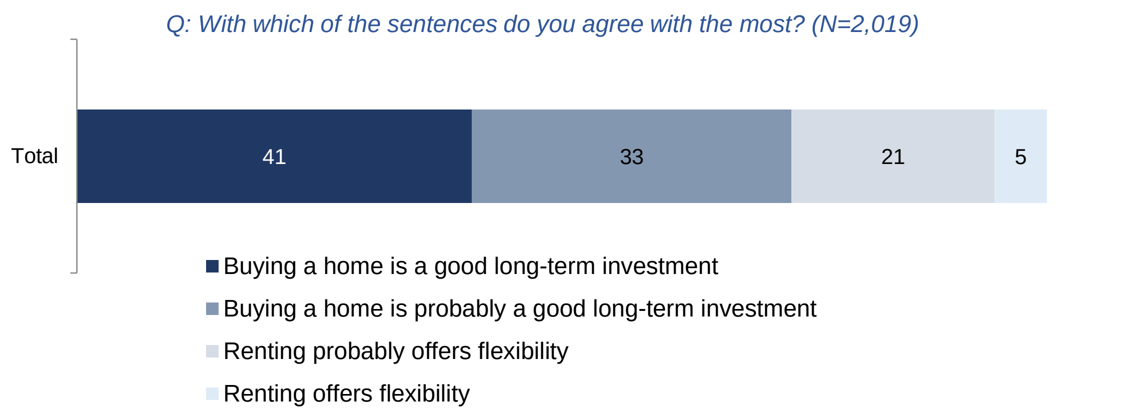
Note: The age group 55-64 is not presented in the graph due to the limited number of observations.

4.2 Why rent when you can buy? Perceptions on housing tenure in Greece

Survey results regarding people's preferences on buying or renting, clearly show that **owning a house is the primary option for Greeks**. The majority of respondents (74%) believe that purchasing a property is a sound long-term investment, while only a quarter view renting as a more flexible option (**Graph 20**). **Young people**, 18-24 years old, however, **as well as students, appear to exhibit a higher preference towards renting compared to other categories,** as 31% and 36% of them respectively feel that it provides flexibility (26% on average for total sample). Furthermore, those who own their homes and those who are provided with accommodation are **more likely to view property ownership as a sound long-term investment** (with over 70% of respondents). In contrast, tenants are more inclined to favour renting, with 34% of respondents in this category stating this preference.

From a sociological perspective, the purchase of a property in Greece's urban areas has historically been associated with a rise in socio-economic status, facilitating a transition from a lower to a middle social class, as observed by Burgel (1976) and Patatouka (2015). Furthermore, from a financial perspective, it has been posited (Kapopoulos et al., 2020) that prior to the adoption of the euro, the purchase of a house was widely regarded as a means of saving and protecting assets against a volatile and inflation-sensitive currency. Consequently, real estate represents a substantial proportion of household wealth in Greece, contributing to a homeownership rate that is notably higher than that of other European countries over time. This is corroborated by the findings of UBS's Global Wealth Report, which indicates that non-financial wealth traditionally accounts for the largest proportion of wealth per adult in Greece (see also **Graph 15**). In particular, the Global Wealth Report (September 2023), indicated that in 2022, non-financial wealth constituted 67.8% of gross wealth (the sum of financial and non-financial wealth) per adult in Greece. In contrast, more than half of households' wealth (51%) globally was made up of financial assets.

Graph 20. Buy or rent? Perceptions on security vs. flexibility
(% total)



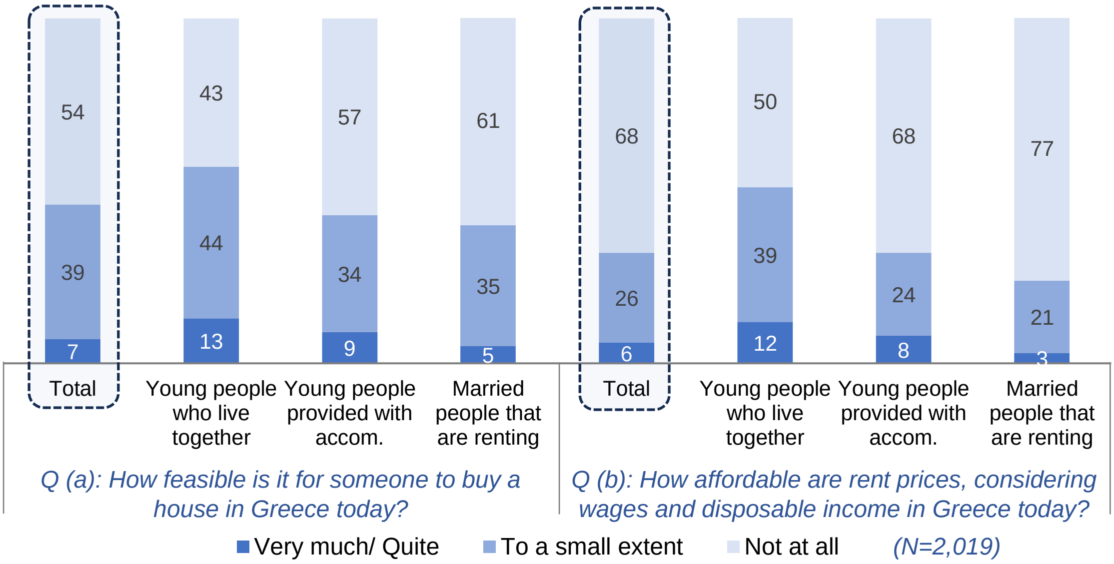
5. Perceptions on Housing affordability

5.1 The Rent versus Buy Decision: An investigation into the perceptions of feasibility

The decision between purchasing and renting a property represents one of the most enduring and least scrutinized economic choices faced by Greeks when making their housing arrangements. Pressures in housing affordability, as depicted in the evolution of several indicators (e.g. the price-to-income ratio, see Section 2), are also evident in the results of the survey. **The majority of respondents stated that purchasing a house in Greece is not currently feasible** (54%), whereas 39% consider it possible to a limited extent and only 7% view it as quite or very affordable. One of the demographic groups with an interest in purchasing a house is married people who currently rent. However, this group is pessimistic; six out of ten consider it not possible to implement such a purchase (**Graph 21**). In contrast, young people who live together seem to be more optimistic. The share that feels that buying a house is very much/ quite possible, is almost double than that of the sample population (13% vs. 7%); the share that states that buying a home is feasible, even to a small extent, is much higher compared to the other categories (44%).

The survey results indicate that respondents consider market rents, even harder to afford. Around two thirds replied that rents are not affordable for someone living in Greece in the current conjuncture, considering wages, salaries and disposable income; a further 26% consider rents to be somewhat affordable, and only 6% say that it is very or quite possible to pay market rents. As with house purchase, young people who live together are more confident about the ability to afford market-rate rents; their population is divided in half as to whether it is possible to afford market price rents (even a little), or not at all. However, a substantial proportion of both married couples who are currently renting a home, as well as young people provided with accommodation, believe that current rents are not affordable (77% and 68% respectively).

Graph 21. Affordability aspects: (a) house purchase, (b) renting at market prices
(% of total)



5.2 Housing costs burden and ability to save

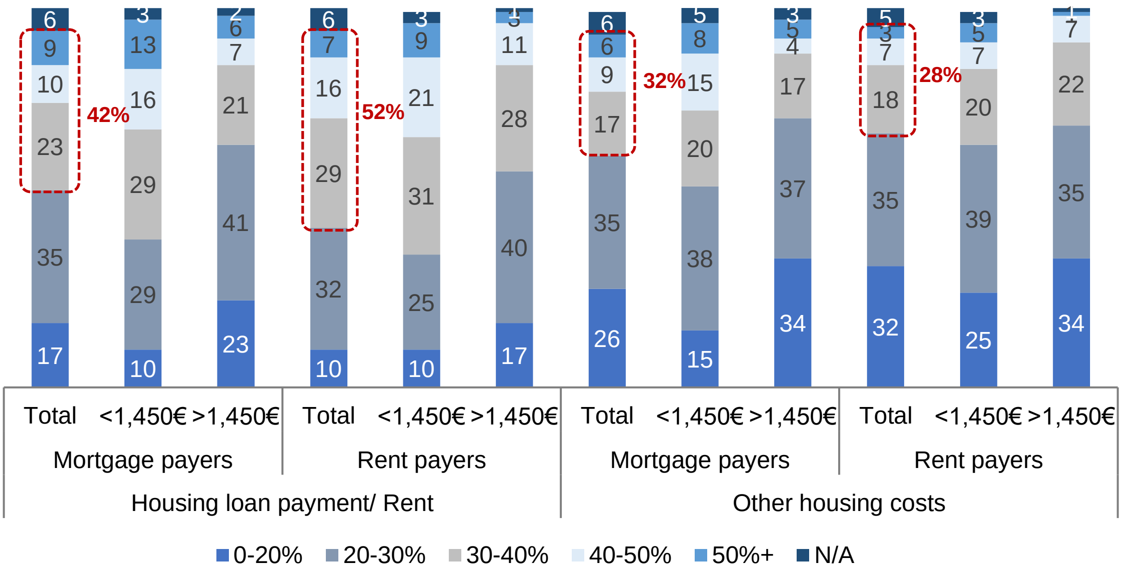
The **residual income approach** is according to recent literature[18], an alternative and more advanced measure, which assesses the amount of income that remains to a household after deducting housing costs. This approach is based on the idea that what truly matters to households is not the proportion of income spent on housing, but whether they have enough income left for expenses other than housing. Our survey attempts to address this issue by requesting information not only on the proportion of disposable income spent on housing costs, but also if the remaining part is adequate to cover other expenses or even make savings.

Based on the survey results, **42% of respondents with a mortgage state that the monthly instalment payment alone, accounts for more than 30% of their household's monthly disposable income** (**Graph 22**). Among lower-income households (those with less than €1,450 per month[19]), this figure is close to 60%. On the other hand, 64% of households with a monthly disposable income of more than €1,450 stated that their mortgage monthly instalment accounted for less than 1/3 of this. Other housing costs -excluding mortgage instalment payments- also represent a significant proportion of households' monthly expenditure, with 1/3 of households replying that they account for more than 30% of their monthly disposable income.

It appears that the financial burden associated with housing costs is particularly high for those who rent their accommodation. Indeed, over half of the tenants indicated that they are required to allocate more than 30% of their monthly income towards rental payments. Furthermore, 28% of this group of individuals replied that other housing costs -on top of rent- make up for more than 30% of their disposable income on a monthly basis.

[18] For instance, Stone (2006) defined the shelter poverty indicator, which assesses whether a household's disposable income, after housing costs, is sufficient to afford a basic set of expenses, excluding housing. Stone, Burke, and Ralston (2011) further studied the residual income approach providing a higher level of methodological detail, showing its merits through various types of households and income levels. Thalmann (2003) used a residual income indicator, to distinguish housing affordability issues resulting from high rents, from those being the outcome of low incomes.
[19] According to the results of the survey the median income bracket is €1,201-€1,450. We therefore approximate the upper bound of this income range as a threshold to divide the sample population to lower- and higher-income households.

Graph 22. Mortgage payments, rents and other housing costs, as a % of disposable income, per household disposable income bucket (<€1,450 and >€1,450)
(% of total)



Q: What percentage of your household's monthly disposable income, on average, goes towards …?
(Mortgage payers N=277, Rent payers N=556)

Note: Other housing costs include utility bills e.g. water, electricity, heating as well as any other costs related to housing.

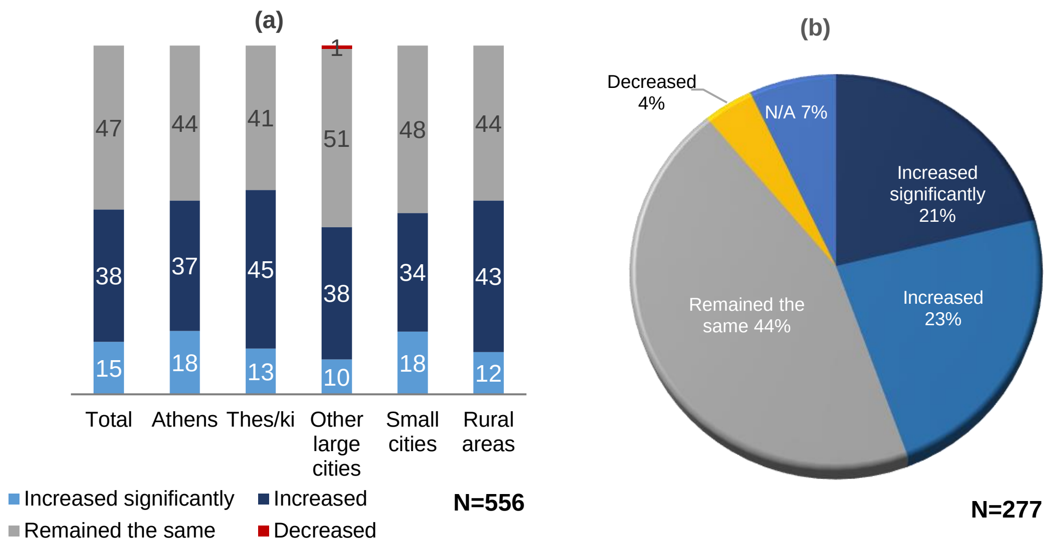
In light of the aforementioned considerations, namely that a significant share of the sample population allocated in many cases over half of their monthly disposable income to housing costs, including mortgage payments, rents, utility costs and so forth, it is unsurprising that the survey results indicate a relative paucity of individuals in a position to save. In particular, **more than 50% of respondents stated that they just manage to cover their essential living expenses each month, without being able to save money, whereas 11% is unable to even pay their basic expenses.** A detailed analysis of the survey data indicates that older age groups, both single and multi-member households, along with those living in rural areas, encounter greater difficulties in managing their monthly expenses. Conversely, one-third of the surveyed group indicated they could meet their basic needs while simultaneously save. Of those in position to cover their essential living expenses, 7% saves regularly and 20% often. The respective percentages decrease progressively with age. In particular a total of 41% of people aged up to 24 years old save often or regularly; this share drops to 36% for the age group 25-34 and further to 24% for the 35-44. Considering housing tenure, this trajectory could be interpreted by the transition from the family home -where monthly expenses are limited and young people are able to save money for personal reasons- to renting and eventually taking out a housing loan, i.e. where financial responsibilities are increased.

5.3 People's Perceptions of Housing Burden during the Energy Crisis

The expansionary fiscal and monetary policy implemented during the pandemic, coupled with the disruption of the supply chains, resulted in an excess aggregate demand in the post pandemic economic upturn. The aforementioned factors, in conjunction with the energy crisis of 2022, led inflation to historically high levels. Indeed, the Russian invasion of Ukraine and the subsequent energy crisis, drove energy prices to record highs which later passed through to the prices of other categories of goods and services. Inflation in the euro area reached double digit numbers and therefore the European Central Bank (ECB) applied consecutive increases to its key interest rates, with the aim to containing it.

The above-mentioned developments have not only resulted in elevated borrowing costs but also had a detrimental impact on disposable income in real terms. It is important to understand how these developments were perceived and experienced by people in Greece. **The survey results indicate that over 50% of tenants have experienced an increase in rent over the past couple of years. This figure rises to 55% in Athens and 58% in Thessaloniki** (**Graph 23a**). In other major urban centers, 51% of the sample population responded that their rent remained unchanged over the last two years while only 1% reported a decrease. Overall, 45% of respondents experienced rent increases of up to 10%, 30% reported increases between 10% and 20%, and around 25% said their rent went up by 20% or more.

Graph 23. Mortgage payments and rents evolution the last two years
(% of total)



Q: Over the last couple of years (a) the rent I pay has…   *….(b) my mortgage instalment has…*

In terms of the mortgage holders, 23% responded that their instalments increased over the last couple of years, 21% that the rise was significant, 44% that it remained broadly the same, and only 4% that it decreased (**Graph 23b**). Among those who experienced a rise in their mortgage payments, 42% reported an increase of 10% or less. Additionally, 22% indicated that their payments went up by 10%-20%, while 31% reported a rise by more than 20% in their mortgage payments.

Throughout the two successive crises from 2020 to 2023, namely the pandemic in 2020 and the energy crisis in 2022, the Greek government and banks adopted measures for businesses and households, to support employment and disposable income, thereby contributing to the recovery of economic activity. Initially, Greek banks offered payment deferrals to individuals, including employees and sole proprietors, who were impacted by the pandemic. The payment moratoria concerned the temporary suspension of instalments -covering both principal and interest- and were applicable solely to performing loans. Later on, in December 2022, the Greek banks initiated a relief scheme aimed at assisting financially vulnerable households. This scheme subsidized 50% of the rise in the loan instalments resulting from the increased interest rates, for a period of twelve months. The program was intended for low-income borrowers[20] with a performing housing loan or a small-business loan collateralized by their primary residence[21].

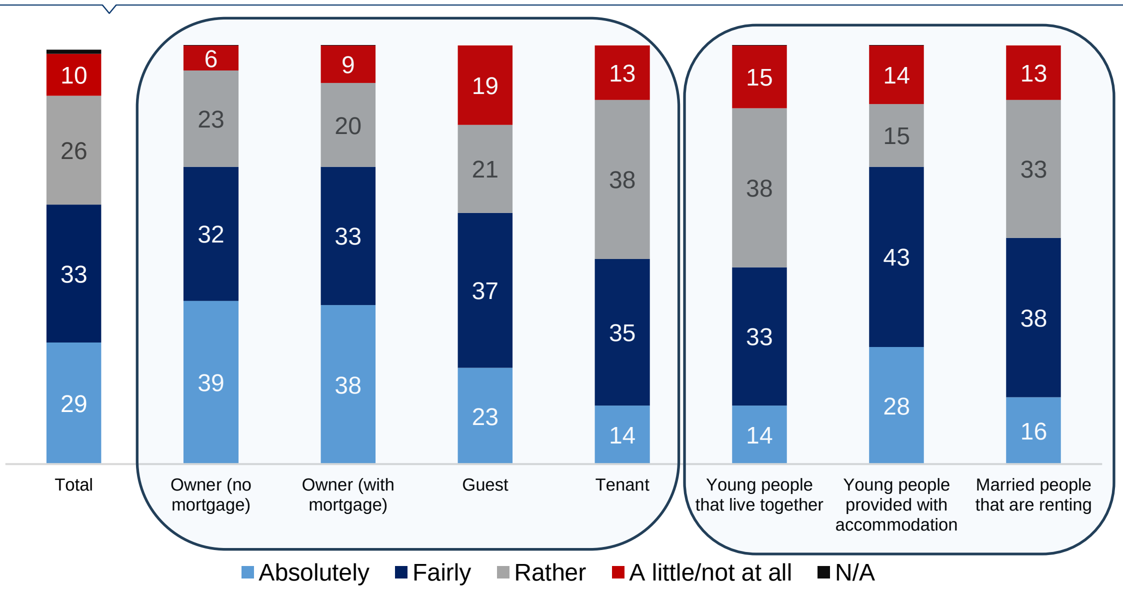
Furthermore, in cooperation with the government, the Greek banks were among the first in Europe to put a cap on the reference interest rates, for all variable-rate and performing housing loans, for a two-year period starting May 2023. This measure has contributed significantly to improving consumers' financial situation, considering first that it was implemented in a period marked by rising interest rates and inflation and second that the average housing loan is tenfold compared to the average deposit balance. Lastly, interest rates for new mortgages provided by Greek banks have become more competitive than the European average, whereas a wide range of savings products is offered, to enhance the customers' savings culture.

6. *Housing choices: Factorizing Demand and Household Finance*

6.1 *Mapping the Housing Needs: is current residence satisfactory?*

The level of satisfaction with current accommodation is a key indicator of future housing demand, providing valuable insights. The survey results reveal that **62% of respondents are fully or fairly satisfied with their current housing situation, 26% are somewhat satisfied, and 10% are a little or not satisfied**. When tenure status is considered, the proportion of owners -with or without a mortgage- that are pleased with their primary residence is higher than the respective proportion of people who are provided with accommodation. Furthermore, it is well above the proportion of tenants who are satisfied with their accommodation (**Graph 24**). Explicitly almost 40% **of homeowners are fully satisfied with their current residence while only 14% of tenants express the same level of satisfaction**. Among the various categories, the proportion of individuals who are fairly satisfied by their current residence is relatively similar, ranging between 32%-37%. On the contrary, the percentage of tenants who are somewhat or completely dissatisfied is considerably higher compared to other categories (51% vs. 40% or lower).

Graph 24. Covering housing needs: tenure and demographics
(% of total)



Q: To what extent would you say your current primary residence meets your housing needs? (N=2,019)

[20] Annual income of up to €7,000, increased by €3,500 per family member (maximum annual family income €21,000) and total deposits of up to €7,000, increased by €3,500 per family member (maximum family total of deposits €21,000).

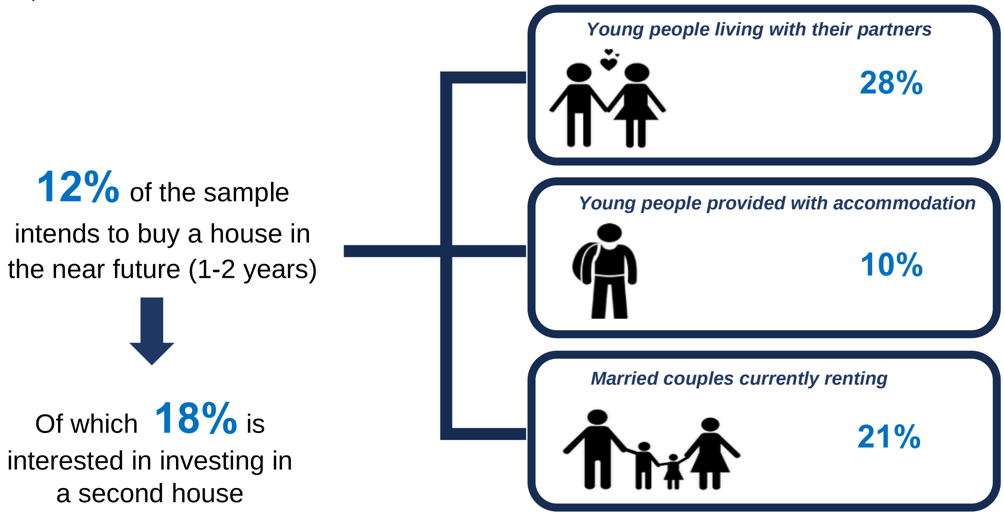
[21] Maximum value of primary residence up to €180,000 (based on official property tax valuation).

A notable increase in satisfaction levels is observed when focusing on young people up to 34 years old, provided with accommodation; 28% feel their current housing situation absolutely covers their housing needs, 43% feel fairly satisfied and 29% are rather, a little or not at all happy with their living situation. On the other hand, **young people who live together and married people who are renting appear to be the most dissatisfied, with approximately half of them (53% and 46% respectively), stating that their current residence meets their housing needs only to a limited extent or not at all**.

6.2 Purchasing Property: Economic and Family-related Demand Drivers

In examining the demand for housing, it is evident that 12% of the sample population intends to purchase a property within the next two years; 18% of which is interested in investing in a second house. When focusing on the three main groups of interest, this figure rises to 28% for young people living with their partners and to 21% for married couples (**Figure 1**).

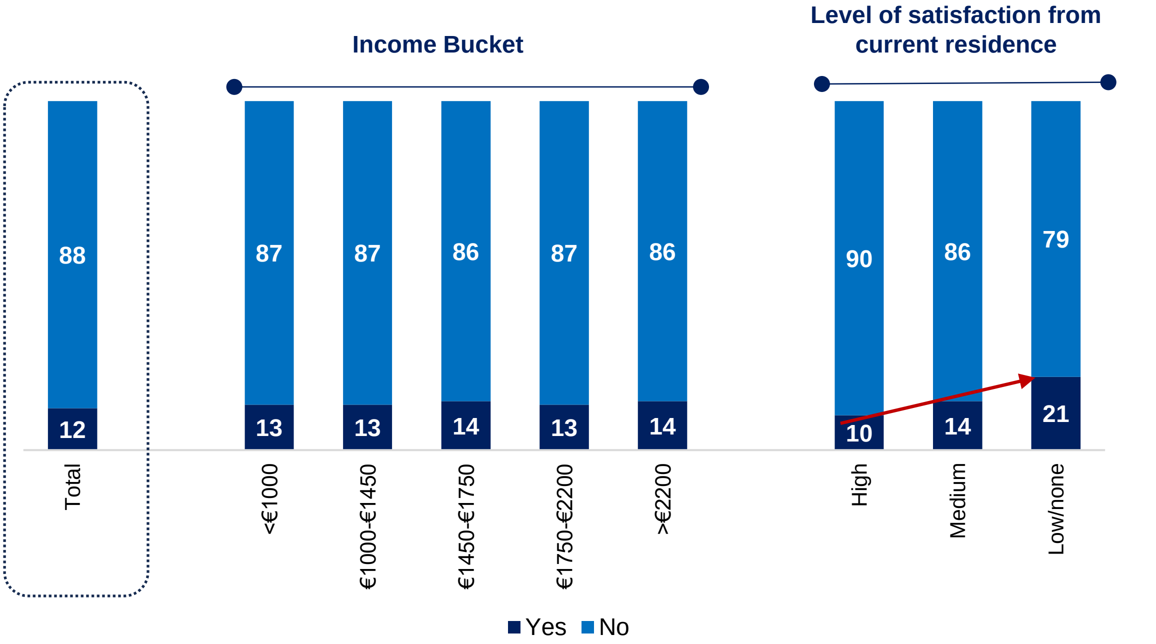
Figure 1. Intention to buy a house



However, the respective shares remain relatively low, at 10%, for young people who are provided with accommodation. The demand for new housing is primarily influenced by the extent to which current residences satisfy housing needs while it remains broadly constant across the various income groups (**Graph 25**).

Among those intending to purchase a property within the next two years (N=249), the majority, almost two-thirds, intends to purchase a house as main residence (**Graph 26a**). This is followed by 15% who stated that they plan to buy a house for family members, 12% for investment purposes and 9% as a holiday residence. Within the group of respondents who intend to buy a house as a main residence, **Graph 26b** shows that the core motivation for buying a house is the desire to move to a larger home. With regard to the latter, upcoming homebuyers are motivated by the need to accommodate a growing family (38%) or the requirement for more living space (23%). The latter is driven, inter alia, by the post-pandemic rise of remote work which necessitates space for home office (see also **Box II**). For around half (45%) of survey participants planning to buy a house in the next two years, property is viewed as an investment. Other factors influencing the decision to buy a primary residence include the desire to move out of the family home (12%), to reside closer to one's workplace (10%) or family/friends (9%).

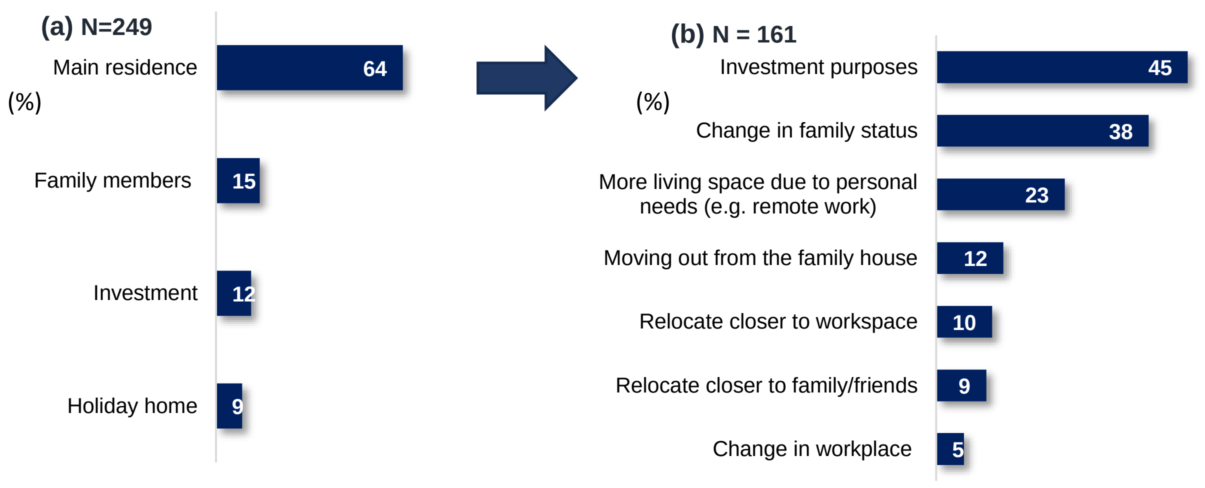
Graph 25. Do you intend to purchase a house in the near future (1-2 years)?
(% total)



(N=2,019)

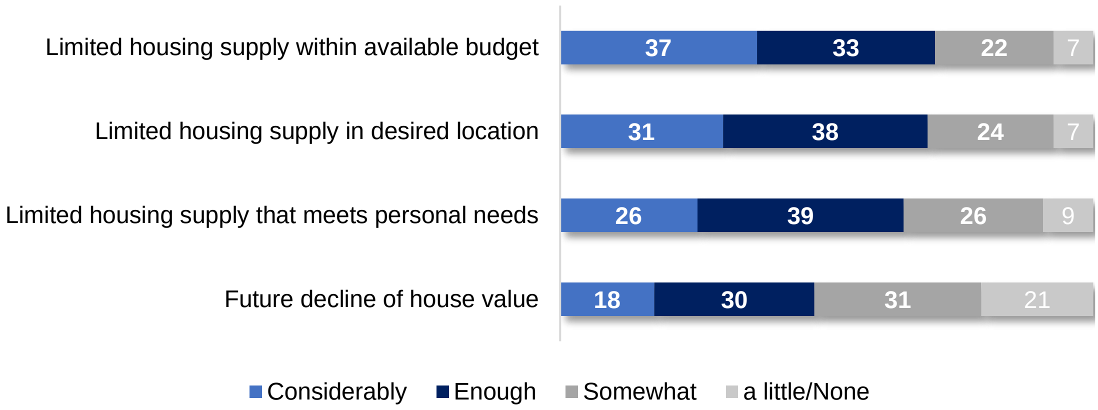
The limited supply of houses within budget tops as the prime consideration looming over prospective buyers, underscoring the growing affordability challenges (Graph 27). Furthermore, the restricted **supply of housing in desired locations**, meeting also personal and/or family needs add to their major concerns. Interestingly, potential homebuyers exhibit less concern about a potential future drop in house prices. Among those considering purchasing a property, the price of the house is the most prominent factor influencing their housing decisions. The location of the property and the state of residence **also play an important role in shaping current housing choices**.

Graph 26. Reasons to buy a house (a) and core motivation for buying main residence (b)



Q: (a) The house you intend to buy is for… (%) (b) What are the two main reasons for buying a house?

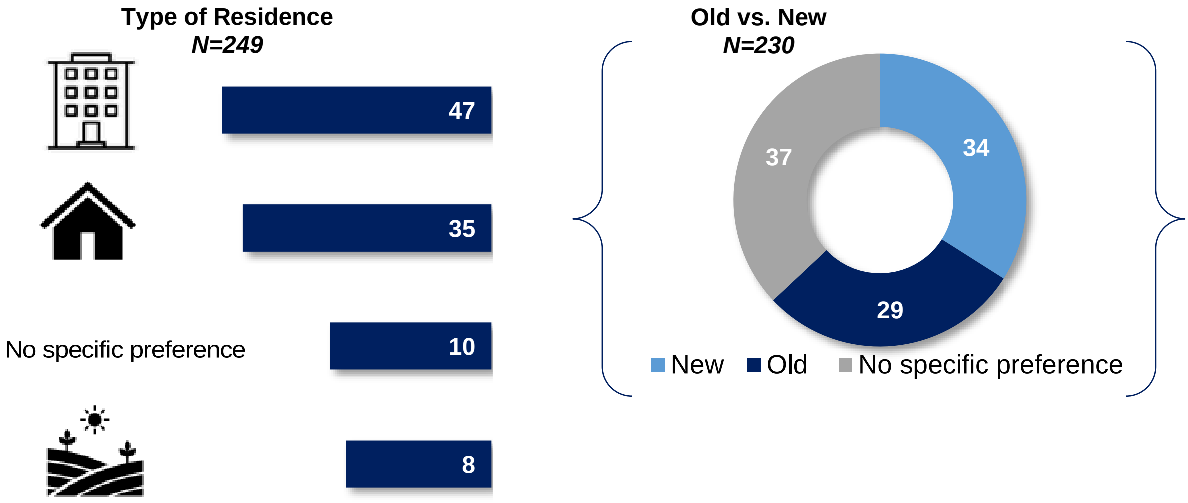
Graph 27. Sources of concern among prospective homebuyers
(% total)



Q: Regarding the house you intend to buy, which of the following are a source of concern? (N=249)

The demand for flats (47%) outweighs the demand for houses (35%) while new and old houses appear to be almost equally attractive to potential homebuyers (**Graph 28**). The broadly balanced preferences of prospective homebuyers for old and new houses are also reflected in the relatively close price increases recorded up until 2023. According to data provided by Bank of Greece, the cumulative recovery up until Q4 2023 in prices for newly built apartments (i.e., up to five years old) and old apartments (i.e., over five years old) from their respective troughs in Q3 2017 has reached approximately 65% and 61%, respectively. In 2024 (provisional data) house prices for new apartments rose by 10.1%, with the respective index reaching 105.8, surpassing the earlier peak of 102.3 in 2008. Old apartment prices increased by 7.8% last year, with the index still remaining below the highest price recorded in 2008 (101.3).

Graph 28. Preferred type of residence in demand



Q: Are you looking for a flat, a house or land?

Q: Are you looking for a new or an older house?

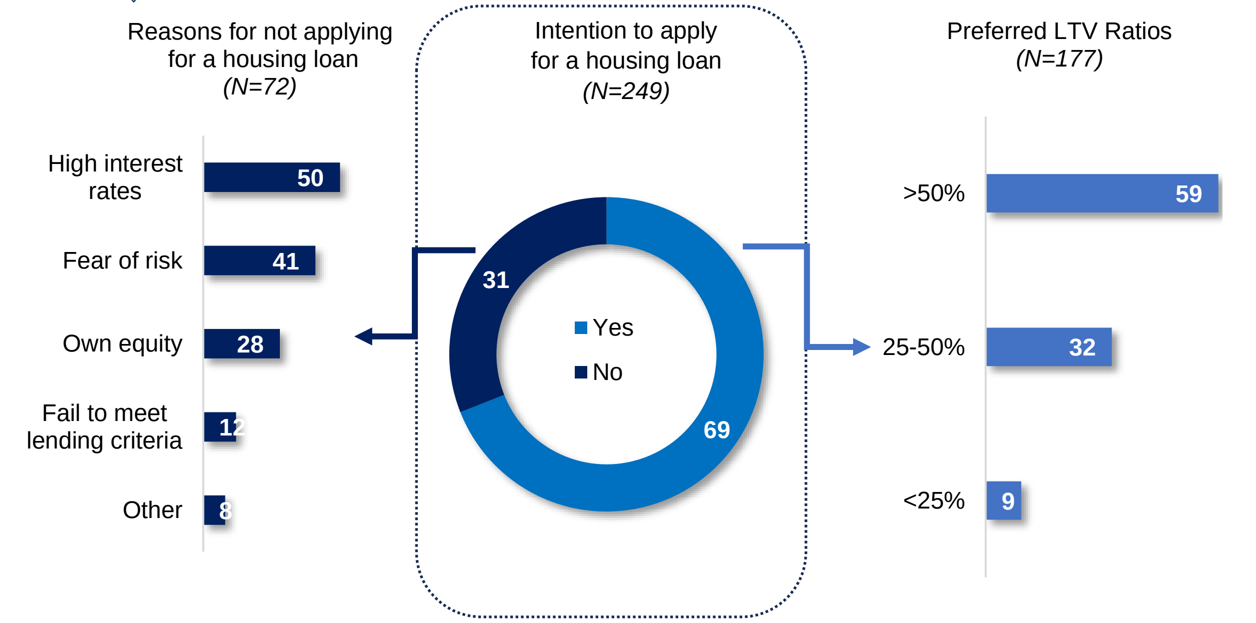
6.3 *Financing a property purchase: Debt versus Own Equity*

A key aspect of housing affordability is related to the ability of an individual to access credit and repay a mortgage[22]. So, the specific characteristics of the mortgage market are crucial in shaping housing choices. The next sections of the survey are designed to elicit information on the perceptions of respondents regarding the domestic credit market.

Among prospective homebuyers, over two-thirds of respondents (69%) intend to finance house purchase with a housing loan. The majority of these respondents (59%) are considering a Loan-to-Value (LTV) ratio above 50%[23] (**Graph 29**). The net credit growth for housing loans in the domestic banking system remains in negative territory (see also Section 3.1).

Diving into the remaining **share of potential homebuyers not intending to apply for a housing loan**, the **high interest rates** carve out a prominent role for half of the respondents; the tighter financing conditions leading to higher debt servicing costs is the main deterrent factor for potential borrowers. In addition, 41% of respondents within this sample consider the **fear of risk** as pivotal for not applying for a housing loan. Fear of risk can be conceptualized by the perceived uncertainty associated with potential adverse events, such as future job loss or an unexpected rise in interest rates, negatively affecting households' debt-servicing capacity going forward. It seems reasonable to posit that these concerns have increased significantly since the global financial crisis of 2008, especially in countries such as Greece where the impact has been particularly acute. This is largely due to the fact that the majority of people have experienced such events at some point in their lifetime. As a result, the perceived fear of risk has become embedded in the collective memory.

Graph 29. Demand for housing loans, preferred LTV ratios and discouraged borrowers
(%)



Q: For the house you intend to buy are you considering applying a housing loan? If yes, the loan you consider applying for is preferred to cover…If no, for which of the following reason(s) would you not apply for a housing loan?

---

[22] Biljanovska et al. (2023) constructed a new index of housing affordability for a wide set of countries worldwide. This index adds to the existing literature and the related housing affordability metrics by incorporating - on top of the information related to house prices and households' income - aspects regarding the cost and conditions of the mortgage market for each country. A value of the index of (below) 100 reflects that a median-income household has (does not have) sufficient income to qualify for a mortgage loan on an average-priced home. According to this index, Greece lies at the bottom-5 among 40 countries, at 53, in Q3 2023.

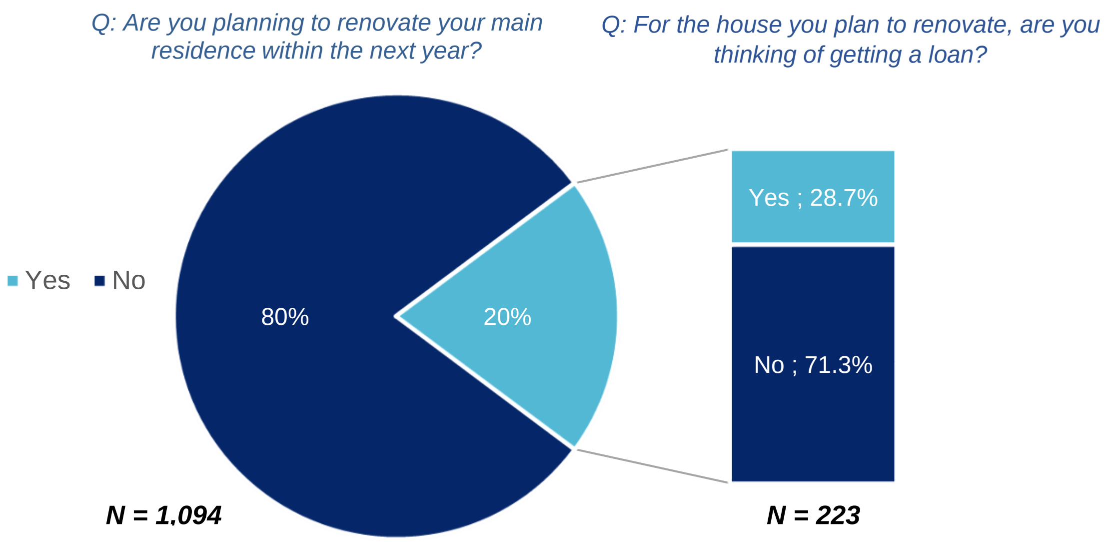
[23] In the context of borrower-based macroprudential policies, the Bank of Greece has enacted, in effect from January 2025, maximum LTV at origination thresholds for loans secured by residential real estate to 90% for first-time buyers and 80% for remaining borrowers. (Bank of Greece, Executive Committee Act 227/1/8.3.2024).

Interestingly, **close to one-third (28%) of prospective homebuyers who do not apply for a loan, afford to buy a house on their own**. This survey finding can be attributed, among other factors, to the massive accumulation of deposits, particularly during the COVID-19 pandemic in 2020-2021. Households' deposits in the domestic banking system during 2019-2024 rose by €39.1 billion, reaching a new decade high (Dec.2024: €150.4 billion). Finally, **12% of respondents within this group consider themselves not able not meet the lending criteria**. Following the BoG Bank Lending Survey, during the first quarter of 2024, Greek banks reported that the credit standards for housing loans eased somewhat while remained unchanged throughout the rest of the year. Overall credit terms and conditions of Greek banks tightened moderately in Q1 2024 as a result of the conclusion of housing programs subsidized by the State, while remained unchanged from the second until the fourth quarter of 2024[24]. Also, in 2024 the ratio of rejected applications for housing loans remained broadly the same.

6.4 Demand for House Renovation

Greece's building stock is aging; 64% of buildings throughout the country and 69% in Attica, were built after WWII and up until 1990 (ELSTAT, 2021 Buildings Census). Considering also that construction slowed down significantly during the economic crisis of the previous decade (see Section 3.1), it is safe to conclude that the average age of the building stock in Greece is well above 30 years, and there is a significant shortfall in the renovation of older homes. Currently, there are several government initiatives in place with the aim to upgrade the country's building stock, especially the residential real estate. Such programs are the "Exoikonomo" -funded by the EU's Recovery and Resilience Fund-, through which the energy upgrading of buildings is financed with preferential terms, as well as the "Renovate -Rent" scheme that foresees the renovation of vacant houses and flats with the objective of making them available for rent (see Section 9). Based on the results of our survey, 20% of owners (N=1,094) are planning to renovate their residence within the next year (**Graph 30**). Out of this group 28.7% stated that they consider taking out a loan to finance the renovation of their primary residence.

Graph 30. Intention to renovate and demand for credit
(%)



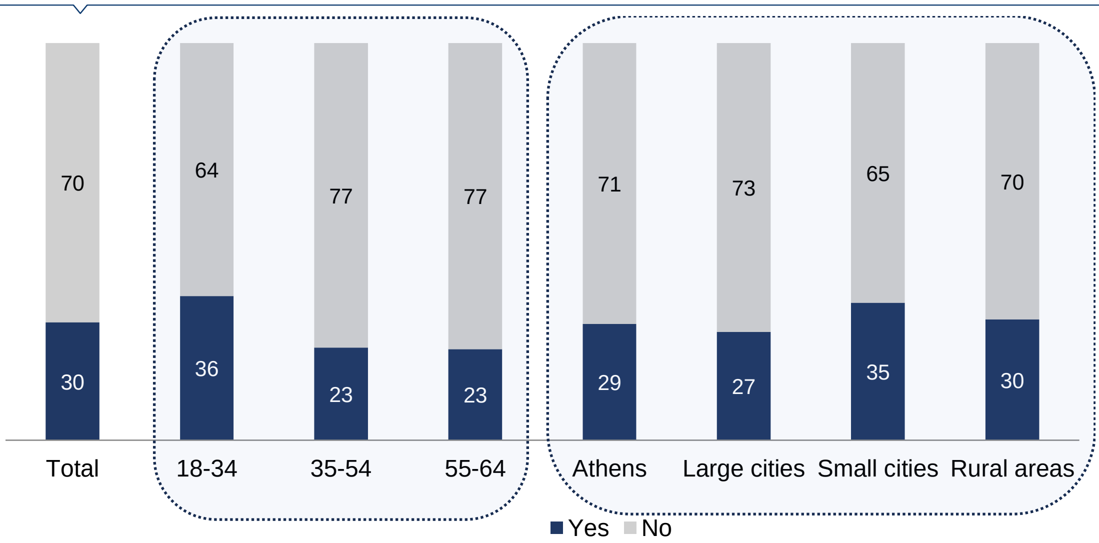
[24] Bank of Greece, Bank Lending Survey, Quarterly Press Releases during 2024.

6.5 The Rental Market: Demand and Social Features

Approximately 28% of the sample population (567 out of 2,019 participants) do not own a home and have no immediate plans to purchase one. Of these, 30% are considering relocating within the next one to two years, seeking a residence to rent. This trend is particularly evidenced among young adults aged 18-34 (**Graph 31**). Furthermore, **the share of respondents seeking rental accommodation in the coming years is slightly higher in smaller cities** (35%) compared to other areas[25].

The proportion of young people aged 18-34 years who intend to move within the next 1-2 years is greater than that observed in the total sample population. The appetite of young people who are provided with accommodation is less pronounced, with only a quarter expressing an intention to move to a rental home in the near future. The primary motivations for moving are seeking a lower rent (50%) or a more spacious house (24%), personal reasons such as a change in marital status (18%) or professional reasons, e.g. finding a house closer to work (15%). However, changes in marital status are not as significant a factor in the decision to move as they are in the decision to purchase a home.

Graph 31. Rental demand per age and area
(% total)



Q: Are you planning on moving in the near future (1-2 years), through renting another house as a primary residence? (Respondents: People who do not own a house or intend to buy a house in the near future [N=567])

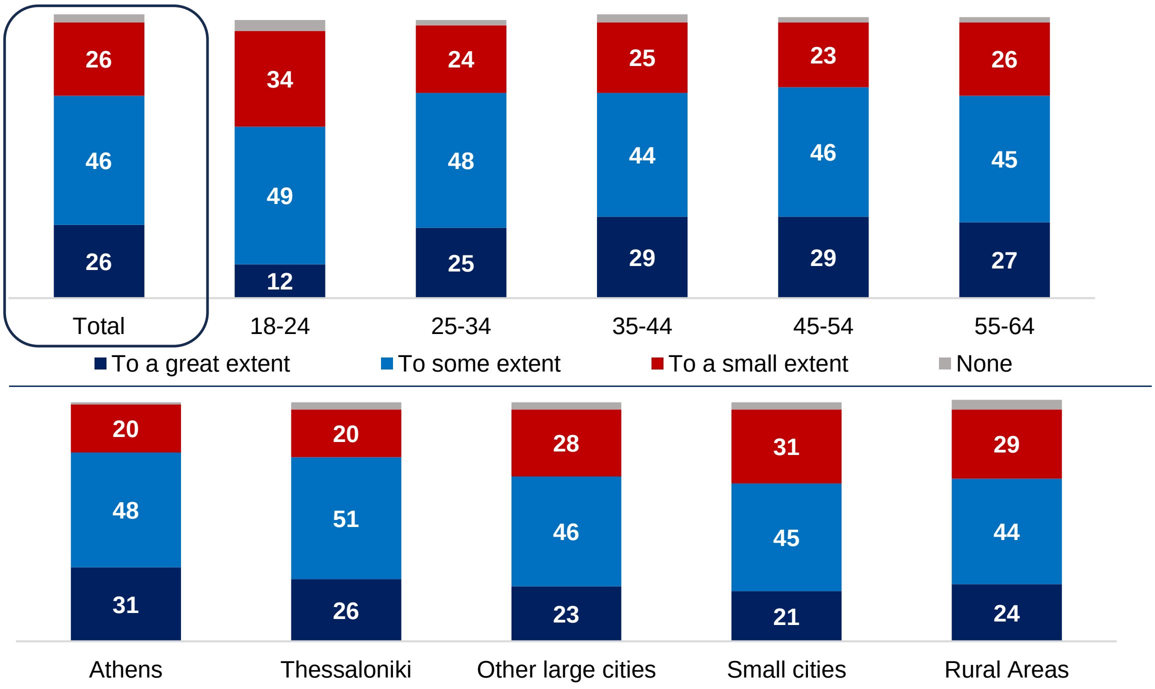
7. Rent and House prices Going forward: Household perceptions

The following section of the survey questionnaire is designed to elicit information on respondents' expectations regarding house prices and rents, in the domestic real estate market, over the medium term. The formation of expectations, both in general and specifically in relation to the housing market proves to be a crucial aspect of the decision-making process.

The developments and prospects in the domestic housing market spark interest for the vast majority of respondents in the sample (**Graph 32**)**;** 72% of respondents consider themselves to be informed to a great (26%) or a certain extent (46%) regarding the developments of house prices and rents in the Greek real estate market. **This percentage increases gradually with age**, from 61% in the 18-24 age group to 75% in the 45-54 age group, before declining to 72% in the 55-64 age group. **The degree of urbanization is also impactful,** given that 79% of respondents in Athens are considering themselves well informed compared to 68% in non-urban areas.

[25] Thessaloniki is excluded due to limited observations.

Graph 32. To what extent do you consider yourself informed about the developments and trends in the Greek housing market (house prices and rents)? (%)



(N=2,019)

More than half of respondents (59%) in the entire sample anticipate a further increase in house prices over the next five years (**Graph 33**). In light of the pronounced increase in house prices observed[26] in recent years, this outcome can be interpreted as a reflection of backward-looking expectations. This implies that beliefs are shaped by the prevailing trends in the housing market[27]. It is noteworthy that this share does not appear to vary remarkably across different **age groups** (ranging from 56% (the lowest) in the 35-44 age group to 63% (the highest) in the 45-54 age group), **tenure status** (tenant: 65%; homeowner: 57%) or the **degree of urbanization** (fluctuating from 57% in Thessaloniki to 63% in small urban centers). The results are consistent across the three main groups of interest, which are considered to shape the future housing demand (**Graph 33**). In the remaining sample, 21% of the respondents anticipate that house prices will remain constant over the next five years while 14% expect a decline. Notably, among those intending to purchase a property within the next two years (N=249), **21% expect a drop in house prices over the next five years**.

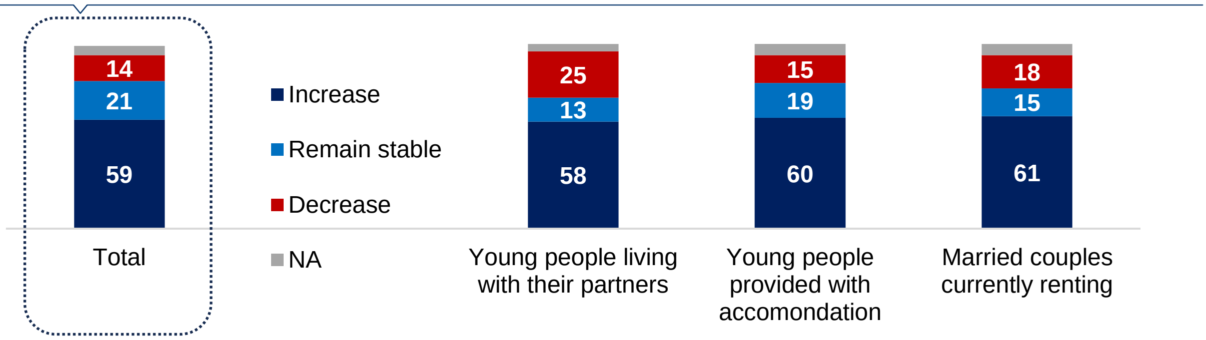
It is worth noting that our survey findings align with the most recent results of the ECB Consumer Expectations Survey (CES) regarding short-term expectations on house prices evolution. The latest monthly wave of the survey (February 2025) revealed that 74.8% of respondents in Greece anticipate an increase in home prices over the next 12 months. Since the initial round of the CES for Greece in April 2022, this figure has remained relatively high over time, ranging from 63.8% in February-March 2023 to 75.8% -the highest recorded- in March 2024, which is close to the latest read. In the remaining sample, 17.6% (7.5%) of survey participants expect house prices to remain stable (decline) in the next 12 months. The average house price

[26] See Section 3.1 for a relevant documentation.
[27] Similar evidence on how current experience affects beliefs about the future price developments drawn from surveys of US homebuyers are also presented in Case and Shiller (1988) and Case et al. (2003).

growth expected twelve months ahead by survey participants is 8.6%, currently the highest among the euro area countries included in ECB CES.

The breakdown of medium-term house price expectations by region in the total sample of the survey reveals notable variation, which is partly related to the home-sharing intensity of each region. The survey results indicate that approximately two-thirds of respondents expect an increase in house prices over the next five years in Crete (67%) and the Aegean Islands (68%). However, this share drops to nearly half of survey participants in Epirus (47%), Central Greece (55%) and Peloponnese (46%) (see Section 8).

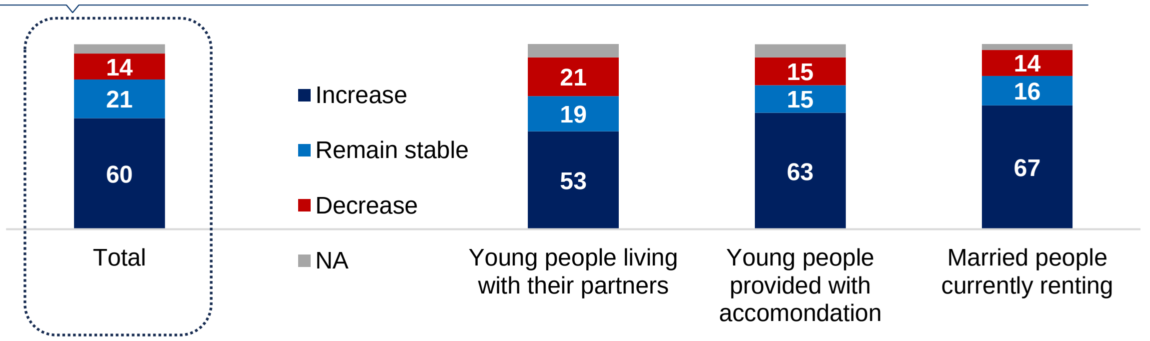
Graph 33. Medium-term Expectations on House Prices (%)



Q: What are your expectations on house prices in Greece in the next five years? (N=2,019)

In a similar vein, **more than half of respondents (60%) in the entire sample expect rents to increase over the next five years, with limited differentiation across age groups and regions.** However, medium-term expectations on the future path of rents vary across the three main groups of interest. Specifically, 53% (21%) of young people living with their partners expect rents to increase (decline) over the next 5 years compared to 67% (14%) of the respondents who are married and are currently renting (**Graph 34**).

Graph 34. Medium-term Expectations on Rents (%)

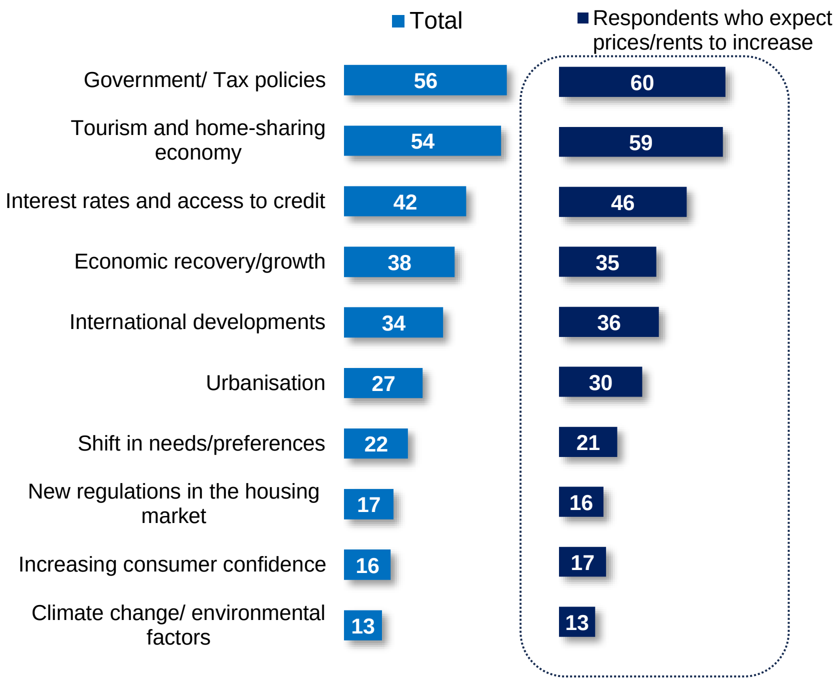


Q: What are your expectations on rents in Greece in the next five years? (N=2,019)

The results of the survey indicate that **the key factors influencing the future evolution of house prices and rents over the next five years** (**Graph 35**) are **government/tax policies** (56% of the total sample) along **with tourism and home sharing activity** (54%), followed by **interest rates and access to credit** (42%) and **economic growth** (38%). The expansion of short-stay accommodation and the growth of the tourism industry are considered impactful for young people living with their partners (62%) or provided with accommodation (63%).

Government policies, home sharing economy, interest rates/access to finance and international developments are the major factors for the individuals who expect house prices/ rents to rise over the medium term (**Graph 35**). A subsequent research question that emerges is whether the same criteria and/or the same ranking are observed in the group of respondents who anticipate a decline in house prices/rents in the medium term. The survey results indicate that a similar set of factors is critical for both groups of respondents. Those respondents who expect house prices and rents to decline in the next five years cite as additional significant factors **changes in preferences** (25%) and the **introduction of regulations in the housing market** (21%). The identical selection of factors with a similar weighting, demonstrates that these two groups of respondents share a diametrically opposing view on the evolution of these factors going forward.

Graph 35. Key factors determining the evolution of house prices and rents in the medium term (%)



Q: Which of the following factors do you expect to impact house prices/rents in Greece in the next five years? (N=2,019)

8. Home-sharing Activities and Housing Affordability

The expansion of the tourist flows may exert an influence on the affordability of housing, which is typically gauged through the ratio of house prices to disposable income (see also Section 2). This impact may be manifested through two principal contradictory channels, which are linked with house prices and income. Consequently, the overall effect of tourism growth on housing affordability remains inconclusive.

On the one hand, since the seminal contribution of Balaguer and Cantavella-Jordá (2002), which formalized the *tourism-led growth* hypothesis, a series of empirical studies have rigorously explored the nexus between tourism and economic growth[28]. Tourism can exert a positive impact on economic growth through various channels. It can increase foreign exchange income, which can then be used to finance the import of capital goods used in production (McKinnon, 1964). Additionally, it can generate employment gains and accelerate investment. According to the World Travel and Tourism Council (WTTC), the travel and tourism sector added 9.1% to global GDP in 2023, creating 27 million new jobs.

On the other hand, the empirical findings from several studies conducted at a cross-country or regional level, have corroborated the positive association between tourism flows and house prices (see, *among others*, Paramati and Roca (2019) and Biagi et al. (2016)). In this context, a related strand of the existing research

[28] For comprehensive literature reviews, see Brida et al. (2016) and more recently Alcalá-Ordóñez et al. (2024).

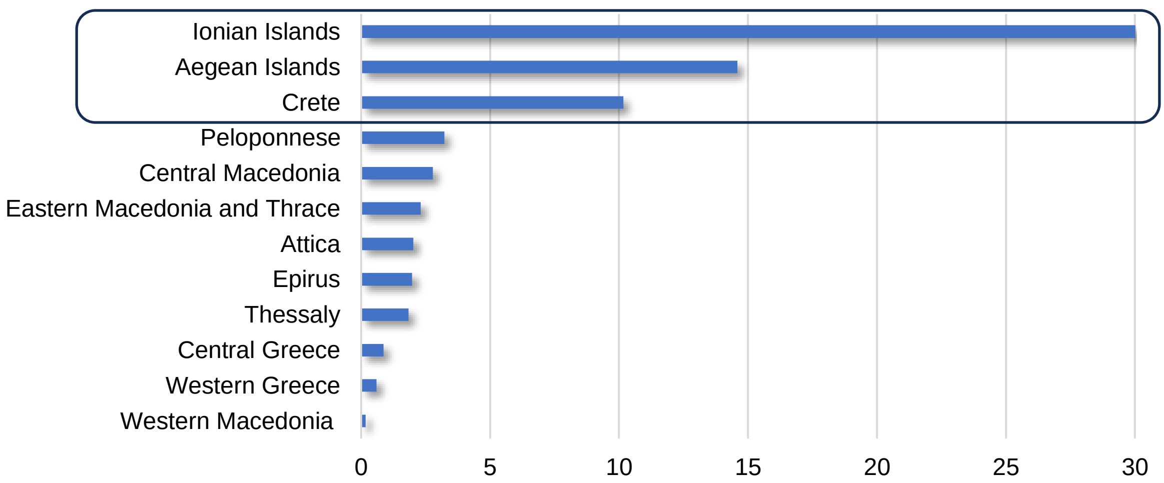
focuses on the direct impact of home-sharing economy on house prices and rents. Home-sharing economy allows for the use of under-utilized capacity, enhancing economic efficiency and providing an additional source of income for homeowners (Barron et al., 2021). Nevertheless, when a part of the housing stock permanently swifts from the long-term to the short-term market, it reduces the housing supply for local residents in the long-term market. This, in turn leads to an increase in house prices and rents (Garcia-López et al., 2020), potentially generating negative externalities (Filippas and Horton, 2018) while adversely affecting hotel revenues (Zervas et al., 2017).

Earlier evidence has highlighted the positive nexus between the expansion of peer-to-peer platforms' activity and house prices and rents, leading to a decline in housing affordability (see for instance, Garcia-López et al., 2020; Franco and Santos, 2021). Along these lines, only a handful of studies have addressed the impact of tourism activity directly on housing affordability. In a sample of Croatian municipalities, Mikulić et al. (2021) have confirmed the negative effects of tourism activity on housing affordability. These effects were captured through four distinct measures of tourism, namely, seasonality, vulnerability, accommodation and intensity. Focusing on the case of Athens, Pettas et al. (2024) have thoroughly explored the decisive role of the expansion of the short-term rental market, facilitated by digital platforms, on the transformation of the city's housing landscape and its adverse effects on housing affordability for local population.

Eurostat's experimental statistics on short-term accommodation rentals, booked *via* the four online platforms (see also **Box III**), allow for the extraction of some preliminary stylized facts:

- The monthly distribution of nights spent in short-stay accommodation follows the seasonal pattern of tourism flows in Greece and remains broadly constant over time (except for the 2020-2021 period due to the pandemic), with minor fluctuations attributed to the variation in weather conditions during spring and autumn months. This is due to the country's status as a summer destination and the domestic tourist product being associated with "sea, sand and sun" (see also Adamopoulou et al., 2022).
- The share of nights spent by guests originating from a foreign country in accommodation booked *via* digital platforms remains broadly constant over time (with the exception of 2020-2021). On average, it is approximately 86%, fluctuating around 63% during winter months and around 90% during the summer.
- The consideration of the regional dimension (NUTS 2 level) of guest nights reveals that all regions have witnessed sizeable increases in 2023/2018. The most popular destinations in the country, based on 2023 data, are Attica (20%), Crete (16.5%), South Aegean (18.7%) and Ionian Islands (15.8%). Furthermore, the share of nights spent in each region (as % of total) has remained broadly stable over time with limited variation.

Graph 36. Home-sharing intensity rate
(%, 2023)

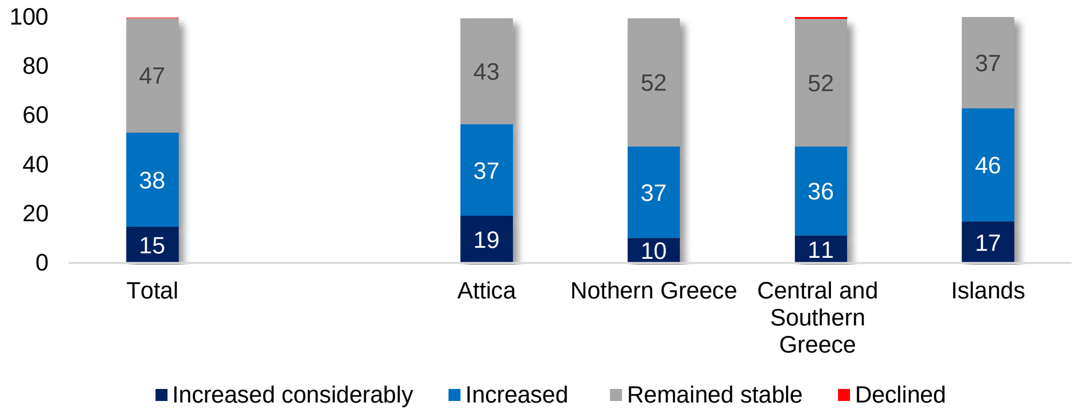


Source: Eurostat, authors' calculations

The impact of platform-driven housing commodification on house prices and rents is also reflected, to a certain extent, in the findings of the QED survey. For this purpose, we have classified the regions across Greece according to their home-sharing intensity rate. We approximate the home-sharing intensity rate for each region as the ratio of the total number of nights spent at short-term accommodation (including both foreign and domestic visitors) to the population of the region. Following the above, Ionian Islands (30.0), Aegean Islands (14.6) and Crete (10.2) recorded the highest number of nights spent at short-term accommodation booked *via* digital platforms, per inhabitant, during 2023 (**Graph 36**). It is worth noting that the home-sharing intensity rate in Attica appears relatively moderate due to the region's high population. It would be insightful to deep dive into a municipality level disaggregation and examine the intensity ratio in specific areas e.g., the center of Athens; however, data on nights spent are not currently available.

The survey data lends support to the fact that the share of tenants experiencing an increase in their rents in the past two years (**Graph 37**) is markedly higher in the Islands (63%), the regions that are associated with a higher home-sharing intensity rate compared to the remaining regions. This offers ground to the hypothesis that one of the factors contributing to the increase in rental costs is the rise in short-term tenancies, since it provides an incentive for owners to withdraw properties from the long-term rental market. Furthermore, the prevalence of short-term leases has a detrimental impact on the quality of life of long-term tenants in apartment buildings, where some units are leased on a short-term basis, effectively transforming them into 'quasi-hotels'.

Graph 37. Evolution of rents in the past 2 years
(% total)

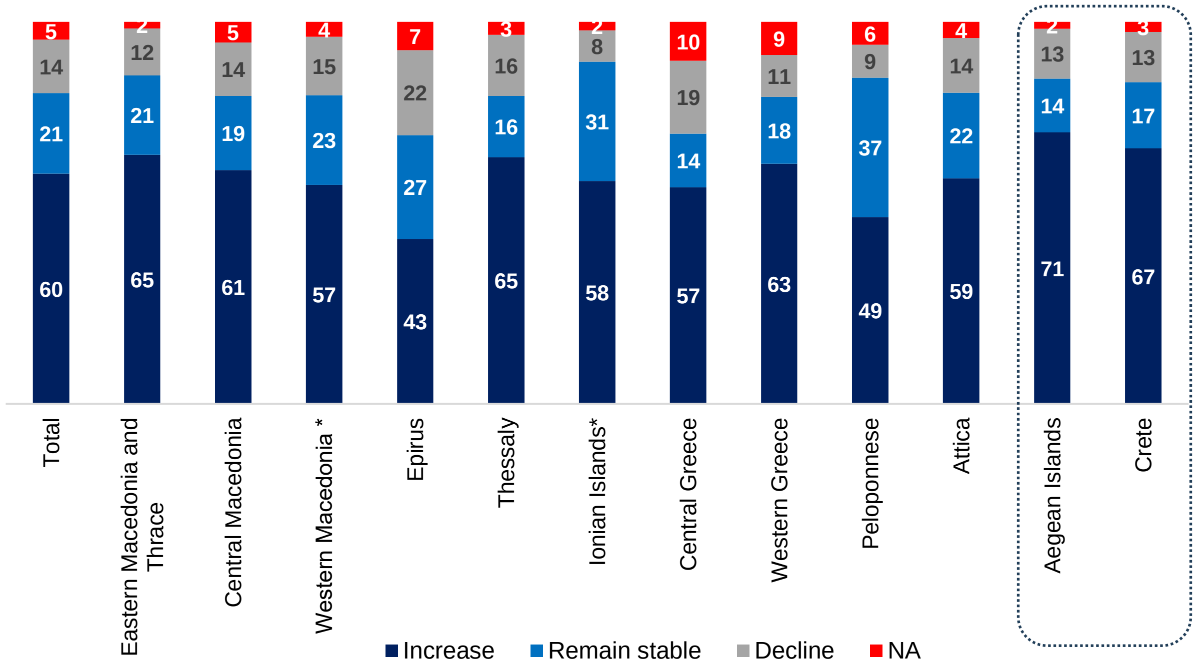


Q: Over the last couple of years the rent I pay has… (N=556)

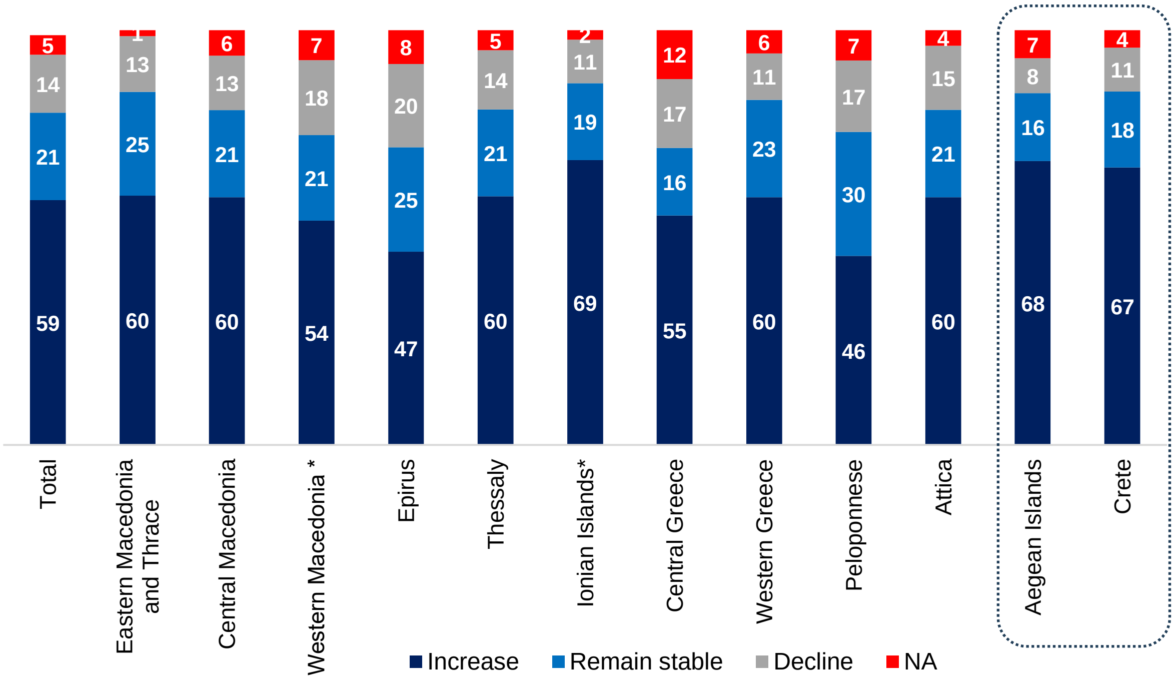
As formalized by Lee (2016), the provision of short-term rentals through digital platforms can distort the residential market through two intricately linked channels: firstly, as discussed earlier, the housing supply is diminished through the conversion of long-term to short-term rentals, potentially resulting in an increase in rents. Secondly, the motivation to provide short-term rentals at lower prices than hotels and generate income at a significant premium over the residential long-term market leading to the "hotelization" phenomenon.

Graphs 38. Medium-term expectations on house prices and rents by region
(% total)

a. Rents



b. House prices



Q: What are your expectations on rents/ house prices in Greece in the next five years? (N=2,019)

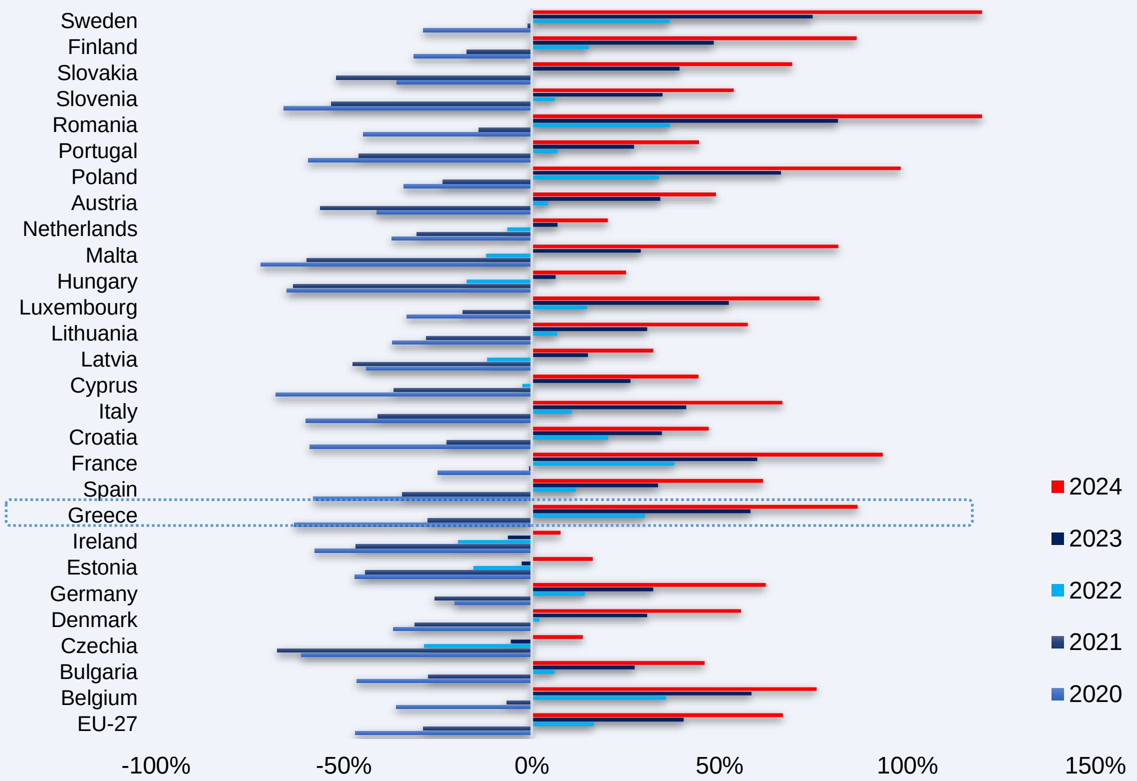
Note*: Results for Ionian Islands and Western Macedonia are for illustrative purposes only due to small sample of observations (N<60).

Box III: Home-sharing Economy – Cross-country comparison

Over the past decade, the home-sharing economy has increased at an unabated pace across the globe. Since 2018 (first year available) - with the exception of 2020-2021 as discussed below – the number of nights spent in short-stay accommodation offered via the four collaborative economy platforms[29] increased markedly across all EU countries. In Greece, the nights spent in short-stay accommodation rose from 20.3 million in 2018 to 38.4 million in 2023 and further to 45.4 million in 2024. The adverse effect of the pandemic shock was uneven across countries, followed by an unequal recovery in 2021 as well. In 2020, the annual fall in the number of guest nights in Greece (-63.2%) was amongst the largest in EU (-47%), along with Cyprus (-68.1%), Slovenia (-66.1%), Czechia (-61.3%), Hungary (-65.3%) and Malta (-72.1%).

Nights spent in short-stay accommodation establishments recovered only partially in all EU countries in 2021 (**Graph 39**) amidst renewed lockdowns and mobility restrictions, with the majority of countries succeeding in returning or even surpassing the pre-pandemic 2019 levels in 2022. Exceptions to this full rebound were Czechia, Estonia and Ireland, as the 2023 performance still lagged behind the 2019 levels. However, in 2024 all EU countries surpassed the 2019 pre-pandemic figures. In Greece, nights spent in short-term rentals reached 31.6 million in 2022, 30% up from the pre-pandemic 2019 levels. In 2024, the total number of nights spent in short-stay accommodation in Greece rose to new record highs (18% annual increase), along with the outstanding performance of tourism, with tourist arrivals rising to 36 million persons (9.8%) and travel receipts amounting to €21.7 billion (5.4%).

Graph 39. Nights spent in short-stay accommodation: Cross-country comparison
(% change over 2019)



Source: Eurostat

[29] The experimental statistics regarding the short-term accommodation rentals from 2018 onwards follow the agreement in 2020 between the European Commission and four online platforms namely Airbnb, Booking, Expedia Group and Tripadvisor, covering accommodation in the EU and the European Free Trade Association (EFTA) countries.

In a similar vein, the survey evidence on medium-term expectations for house prices and rents is influenced by the level of home-sharing intensity. As illustrated in **Graphs 38 (a & b)**, approximately two-thirds of survey respondents in Crete and the Aegean Islands - regions with the highest home-sharing intensity rate - anticipate an increase in house prices and rents over the next five years.

The growth of short-term rentals is contributing to the expansion of tourist infrastructure and transforming the architectural landscape. This model reinforces the massification of arrivals, rather than improving efficiency. In particular, the nights spent by foreign visitors in accommodation available on online platforms rose by 21.1% in 2023, followed by a further annual increase by 18.1% in 2024. Despite the notable rise in total travel receipts (2024: 5.4%), average expenditure per trip by non-residents in Greece has declined for the third consecutive year, from €688.9 in 2021 to €530.6 in 2024. This may be attributed to both a shift in travelers' preferences, influenced by income erosion due to inflationary pressures and the ongoing expansion of the sharing economy, as well as to the fact that the quality of accommodation and services provided by short-term rentals is lower compared to the one provided by the formal hotel sector.

Finally, the significant rise in the number of short-term rentals has an unfavorable effect on competition, given that hotels are subject to a greater regulatory (e.g., safety standards, pool and beach safety, fire safety, accounting standards, etc.) and tax burden. Concerning the latter, for up to two short-term rentals in the context of the sharing economy per owner, income is taxed according to the scale applicable to income from immovable property (i.e.,15% on declared annual income from rents up to €12,000, 35% on income €12,001-€35,000 and 45% for income above this threshold). However, for more than three rentals, it is considered as income from business activity and individuals are obliged to the commencement of business activity with subsequent VAT obligations.

9. The housing policy priorities: The Greek and European experiences

Housing policy in Greece has typically been indirect, in the sense that it has focused on the promotion of the exchange of land for apartments, while government intervention in housing has often been limited in scope and typically targeted at specific segments of the population, usually the vulnerable households. The role of the Workers' Housing Organization (OEK), i.e. the government agency that was responsible for large-scale housing projects in Greece, was primarily to provide loans rather than to construct residences. Public information on the activity of the particular organization is rather limited. On the basis of the available data, it is estimated that during the whole period of OEK's activity, about 700,000 households received financial support for housing purposes, either to purchase or to rent a house. However, at the beginning of the economic crisis, OEK "was abolished without any provision for a successor body" and for approximately a decade, there was no housing policy in place (Dianeosis, July 2023).

The issue of re-establishing relevant policies has recently been brought back into the public discourse, with several interventions and initiatives being implemented over the last few years. One such initiative was "My Home 1" loan program, which provided low-interest or interest-free housing loans to young people and young couples, up to the age of 39, for the purchase of their main residence. The budget allocated for the "My Home 1" initiative was €1 billion, with funding from both the State and domestic credit institutions. According to data released from the Ministry of Economy and Finance nearly 10,000 households have acquired a property through the program, with the vast majority having an annual income of below €24,000 and 57% being young couples.

In addition, the Greek Government initiated the "Renovate - Rent" program, taking into consideration the significant number of vacant buildings, aiming to boost supply and ease pressure on the rental market. This scheme subsidizes the repair and renovation of vacant houses and flats with the objective of making them available for rent. To that direction, the government has introduced further measures to regulate the sharing economy. As of 2024, individuals who own three or more properties that are leased through a sharing economy platform, are required to commence the business activity, thus pay the relevant taxes. Furthermore, the recent amendments in the 'Golden visa' framework are likely to have a mitigating effect on demand from abroad, which should have a downward impact on prices. It is also anticipated that this will lead to an increase in the number of properties available for purchase.

The Medium-Term Fiscal Structural Plan for 2025-2028 (October 2024), incorporates further measures, with the aim to mitigate the housing crisis in Greece. These measures are designed to increase supply in the real estate market, encourage owners to revert from short-term to long-term rentals and regulate the sharing economy. Specifically, property owners who offer their vacant apartments for long-term leasing will be exempted from rental income tax for a period of three years. This tax benefit will also apply to those converting their properties from short-term to long-term rentals, provided that the properties were on short-term lease during the past three years. Furthermore, the inclusion of new short-term rentals in the market will be prohibited for a minimum of one year in three central districts of Athens.

Moreover, the "My Home" and "Renovate - Rent" programs were re-launched in early 2025 with improved terms. Specifically, the “My Home 2” with a total budget of €2 billion is targeted at single persons or couples aged 25-50 years old for the purchase of a primary residence with a value up to €250,000, within specific income criteria. According to data recently released from the Ministry of Economy and Finance (Press Release, April 8th, 2025) in the first 2.5 months since the launch of the program, 4,356 active applications have been submitted, corresponding to €520 million (26% of the total budget of the program). The new "Renovate - Rent" program with a budget of €50 million for 2024-2025, foresees a maximum subsidy of €8,000 per property covering 60% of total renovation costs, compared to €4,000 and 40%, respectively, until recently. Furthermore, a social housing initiative is set to begin, through the partnership between the public and private sectors. The project aims to utilize vacant public properties, primarily land, for the construction of new homes. The General Government bodies intend to retain ownership of a part of these properties, which will be made available for rent or sale at below-market prices, thereby ensuring their affordability for the intended beneficiaries. Additionally, a “rent-to-own” option is under consideration, allowing participants to initially rent, with the opportunity eventually to buy the property[30]. Finally, according to the 2025 State Budget, the student housing allowance will increase for regional universities by €500, with the intervention’s total budget estimated at €15 million in 2025. In addition, the construction of student residences is underway in five regions of the country (Thrace, Thessaly, Crete, Western Macedonia and Attica). It is anticipated that the ongoing development projects are expected to be completed by 2027-2028, with total capacity of 8,150 beds and a total budget exceeding €700 million (Medium-Term Fiscal Structural Plan for 2025-2028, September 2024).

Affordable housing is currently a pan-European priority. Relevant actions are expected by the European Commission, in close co-operation with the European Investment Bank (EIB). A Housing Task Force has already been established, which is expected to deliver the European Affordable Housing Plan, early next year. Housing policy programs are being implemented across Europe, with several countries having “rented social housing systems” in place such as Austria, that also subsidizes a certain number of loans and provides financing for vulnerable households to buy a house and France where about 14% of all dwellings in the country are operating through a rented social housing system (Dianeosis, July 2023). France also levies taxes on vacant properties and sets rent ceilings in cities and municipalities with a housing deficit. Other measures include the provision of zero-interest loans for the purchase of a primary residence, incentives for construction companies to build residences, and the development of housing for not only the most vulnerable households, but also the middle-income households.

In addition, in Spain the residential real estate market is in shortage with the housing deficit estimated to reach 600,000 until 2025, especially in tourist regions (Bank of Spain, 2024). The country is therefore planning to invest over €12 billion in the energy upgrading of public and private buildings, as well as in new

[30] Ministry of Social Cohesion and Family Affairs (https://minscfa.gov.gr/en/demographic-policy/housing-policy/social-compensation/)

social housing, utilizing Recovery and Resilience Fund (RRF) resources. However, as in Greece, Spain's housing policy was in the past predominately focused on homeownership, with the State currently providing guarantees for housing loans to young people and families up until a specific income threshold; a similar guarantee scheme is also in effect in Italy. Furthermore, several European cities such as Hannover in Germany, Szczecin in Poland, Dublin, Louth, Wicklow and the Kildare region in Ireland, receive financial support from the EIB for the construction and provision of energy efficient and affordable social housing. Finally, the Netherlands has an apartment rating system in place, whereby especially low-end properties must be rented at affordable prices. The Portuguese government recently presented a set of 30 measures against the housing crisis including controlled-cost housing and the provision of functional residences for educators, military personnel, workers in agriculture and industry, as well as those employed in the tourism sector (The Portuguese public services portal). Also, the UK government is planning on implementing measures against unjustified evictions, auctions between potential tenants, regular rent increases and exorbitant advances.

10. Epilogue

Housing affordability is a major concern across Europe, with elevated house prices and escalating rents. In Greece, despite the economic downturn of the past decade that took a heavy toll on the housing market, house prices rebounded swiftly from 2018 onwards, with the index approaching its historical peak in Q4 2024. The latter, along with the low construction activity during the crisis, strong external demand and the expansion of the sharing economy which constrained supply, put pressure on the housing affordability of Greek households.

This is evident in the results of our survey on the housing market in Greece, according to which the majority of respondents consider it not feasible to buy (54%) or rent a house at market prices (68%). This pessimistic view is in line with their financial situation, with more than half stating that they just manage to cover their essential living expenses, without being able to save, whereas 11% responded that they do not even manage to pay their basic costs. Specifically for tenants, the survey results reveal that 52% spend more than 30% of their disposable income solely on rent. For homeowners the share that spends above 30% of their disposable income on their mortgage payment is 42%. Looking ahead, 6 out of 10 Greeks believe that house prices and rents will continue to rise over the next five years. The expansion of the short-term rental market *via* online platforms appear to play a key role in shaping house price expectations, especially in regions with a high intensity of home-sharing. In fact, more than 50% of respondents consider the development of the sharing economy to be one of the most important factors influencing future house prices and rents, along with government/tax policies, interest rates and the access to credit.

In light of the above, our survey aims to map out demand in the housing market, as well as the challenges faced by people in Greece. Homeownership is both a widespread phenomenon, and the primary preference of Greeks, with the majority of respondents owning a home and an even higher percentage expressing a preference for owning over renting. It should be noted that the proportion of homeowners increases with age, while the average age of moving out of the family home is around 35. The same age threshold i.e. 35 years old appears to be the starting point for the acquisition of a housing loan. Secondly, the "relationship status" of an individual, defined as whether they are single or in a relationship, also appears to be a significant determinant of housing status across all age groups. Explicitly, according to our survey, within the 18-34 age group, most single persons are provided with accommodation (37%), while almost half that are in a relationship (44%) rent with their partners. A similar pattern in housing status is observed for older age groups, with homeownership rates being much higher among people in a relationship, compared to the singles' population. Consequently, there are three demographic groups of interest that were identified as crucial in shaping future demand: young people aged 18-34, living with a partner or provided with accommodation, and married people currently renting.

The intention to purchase a property within the next two years was expressed by 12% of the sample population. Focusing on the three main groups of interest, this figure rises to 28% for young people living with their partner and to 21% for married couples renting their current residence. The demand for new housing is primarily influenced by the extent to which housing needs are met by the current dwelling, which seems to be considerably higher for owners than for tenants. The limited supply of houses within budget tops as the prime consideration looming over prospective buyers, underlining the growing affordability challenges. Furthermore, the majority of those intending to buy a home are considering loan financing with a loan-to-value ratio over 50%.

A number of government policies have recently been introduced to address the housing crisis, as outlined in the previous section. For these policies to be effective, it's essential to incentivize and facilitate the return of vacant homes to the market. In a market where demand exceeds supply, measures are needed to limit demand, but above all to stimulate supply. Such initiatives could be: (i) the further re-parameterisation of the Golden Visa framework, (ii) boosting construction activity, , (iii) a thorough review and registration of the disclaimers of inheritance due to former debts during the economic crisis, (iv) restarting the housing policy in a sustainable way, (v) bolder measures to encourage the rental of empty buildings where possible, and (vi) further regulation of short-term rentals, so that a reasonable number of properties returns to the long-term rental market.

On top of the above, interaction between public policies and domestic banking system initiatives, is also imperative. These efforts should aim at boosting financing for housing and facilitating prospective homebuyers to acquire their primary residence, especially vulnerable households and the younger generations. Such initiatives could include: *first*, the development of specialized housing loan products, directed to young people and those starting a family, with preferential terms, and *second*, the design of public-private partnerships for the construction of affordable or social housing. Under such schemes the State can provide land and/or vacant buildings, while the banks may provide financing to real estate developers for the construction of residences. Upon completion, housing would be made available by the State, opting either for buying or renting below market prices, or even provided for free, to eligible social groups (e.g. vulnerable households, young generations, single households etc.), based on income or other related criteria. These schemes may be complemented with subsidies from European funds -i.e. without creating fiscal burden- in the effort to further enhance the equity component of the investment projects. One of the key takeaways from the study in hands, is that housing needs are individualized and multi-dimensional; consequently, banking products should be specialized and tailor-made, since a “one-fits-all” solution cannot accommodate all. Financial institutions should therefore act as financial advisors to households.

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