

My golden Greek memories and the Athens property market in 2020

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It was a delight to discuss the Greek property market with one of my oldest investor friends in Dubai as our wives chatted over delicious Burmese Khowsuey in the patio of his villa under a starlit winter night in Jumeirah. Is Greece, like Portugal, the next big thing in global property? I must confess to being a passionate Hellenophile, thanks to teenage annual summer vacations with my parents in the Troodos Mountains in Cyprus and later my own trips to learn all I could about Scandinavia in the fabulous island resorts of Mykonos and Santorini.

Greece was an effervescent, vibrant society I instinctively loved and understood – the sheer grandeur of the Acropolis and the Parthenon a timeless sentinel above the agora where Pericles and Demosthenes once roamed, the Plaka with its languid Med café culture, the shipping firms in Akti Meoli in Piraeus, the maritime emporium of Greece since the time Herodotus chronicled about the Persian invasion of Xerxes, the big city milieu of Syntagma Square and the smart beach mansions of Glyfada. A father whose education was steeped in Latin and Greek had made me a devotee of the ancient myths and my own boyhood heroes Lord Byron and Nikos Kazantzakis had made me love all things Greek, even bouzouki music and Demis Roussos, who gave a concert at the Plaza Cinema in Bur Dubai when I was a schoolboy! Greece was the morning of creation and I can never forget the golden sheen of the Aegean as my plane flew over the Cyclades isles and my beloved Scandinavian Love Shack hangout in Mykonos. I was bewitched by the charm and exquisite beauty of the Greek isles for life.

The past decade was a political and economic nightmare for Greece. Greece's sovereign debt crisis and contentious €200 billion IMF/EU/ECB bailout triggered an economic shock akin to the US Great Depression. Asset prices plunged as the Greek economy/banking system went into cardiac arrest, leading to the rise of populist parties on both the far left (Syriza) and far right (Golden Dawn). Greece has had a tragic transition to the modern world. Exploited for four centuries as a conquered province of the Ottoman sultanate, a near bankrupt British protectorate in the Victorian era, overrun by Nazi Germany in World War Two, scene of a brutal civil war and near victim of a Communist takeover, ruled by fascist colonels who overthrew the regime of King Constantine 1967, mismanaged by the socialist Papandreou clan of PASOK, Greece's volatility makes it the European Pakistan. A rollercoaster where money can be lost but also earned in epic proportions. And the smartest property investors I respect in Dubai, my old and trusted friend since we met in Citi's stock trading client room in the Internet gold rush of 1998, is now buying buildings and office spaces in Athens. Why?

The Greek economy has long emerged from the financial Black Death of 2009 – 2015. After all, the Greek economy contracted by a shocking 30% after the global recession/credit crisis of 2009 and Athens was downgraded from developed to emerging markets by MSCI, who I doubt shares my 3000 year perspective on the rise and fall of Hellenic civilization. Frankly, a visit to the Acropolis Museum is often more edifying than reading the IMF Article Four country report – and a lot more fun! Berlin and Brussels insisted on tough fiscal austerity, in exchange for a bailout to reduce Greece's colossal 180% of GDP sovereign debt.

Banks failed, property prices plunged, developers went bankrupt and riots broke out across Athens and Saloniki. It did not help that tax fraud was a national pastime since the Ottoman conquest and the Greek state, like Argentina, has been in sovereign default for almost half its history since the Hellenes won independence from Sultan Mahmud's diktat in 1826. I watched the descent of Greece into chaos with shock and horror but tried to visit Athens and the Aegean islands whenever I could squeeze some down time. Now my friend – let us call him the Oracle of the Dubai Textile Bazaar, educated at the top prep schools in Beantown, seasoned by investing with the world's top hedgies from Stevie Cohen and Nat Rothschild, laid out the bullish case for Greek property with his usual clinical precision.

Athens has become a magnet for foreign buyers eager to bottom fish in residential/retail brick and mortar assets in a classic Club Med market. Chinese, Turkish, Russian, Egyptian and yes, Pakistani buyers have taken advantage of Greece's golden visa scheme for non-EU citizens, which even allows buyers to sponsor aged parents. Kolonaki and Plaka in central Athens have seen considerable price inflation where prices of €6000 per square metre are not uncommon. Of course, my strategy de jour is to focus on suburban 4 bed room resort villas near Lisbon airport at one fifth the cost of a Kolonaki pied-à-terre. True, Athens is far cheaper than Amsterdam, Berlin and Milan, let alone the stratospheric prices of London and Paris, where prime property can cost €15,000 per square metre. Yet I do not see how any rational investor will make money buying a refurbished apartment near Syntagma Square at a €12000 per square metre cost. The Chinese coronavirus pandemic will surely cause the prime Athens property bubble to deflate, if not bust. I believe the historic Plaka or city centre districts of Athens are overvalued but there are opportunities to refurbish buildings in suburbs for middle class couples or the beachfront developments in the Greek Riviera, which includes the southern suburbs until the ancient town of Attica. The Hellenikon Project will create an opportunity to buy in the Piraeus port area as the biggest coastal park in Europe emerges. Faliro Bay, the site of the National Library, Stavros Niarchos Center and the State Opera, is another ritzy area for affluent foreign buyers.

Property transactions, prices and sentiment have finally begun to rise in Athens. Loan growth in Greek banks has also begun to uptick. The pro-business, center-right Prime Minister Kyriakos Mitsotakis has pledged to cut corporate taxes. Greek sovereign debt yields, 14% in 2014 have plunged below US Treasury bond yields at a current 1.10%. Apart from the southern coastline suburbs, I believe next focal point for foreign buyers could be the eastern suburbs of Athens – think Glyka, Nera, Pallini and Gerakas. I can easily envision a sharp drop in prices if there is an exodus of foreign buyers in the heart of Athens as most Greeks simply do not earn enough to afford the stratospheric prices the Chinese have paid since 2017. Greece is finally recovering from its protracted economic recession, the deepest in generations. Property prices rose 10 – 13% in Athens in 2019 and commercial rents, a key metric of economic growth, have begun to rise. The center-right New Democratic Party won the July 2019 election in a landslide and got rid of the far-left Syriza.

The Greece stock exchange was a beauty in 2019, with the Athens Composite Index up a stellar 49%. A surge in business confidence and capital inflows from the Greek diaspora – settled from Astoria, Queens to Earl's Court, London to Melbourne and Berlin, celebrated Syriza's defeat. Yet the economy is still held hostage by vested interest like trade unions, professional syndicates and public/private quasi monopolies. Still, the new government has a solid reform agenda. After all, the Prime Minister is an alumnus of Harvard College, Stanford's business school and McKinsey, is open to global business and private equity, not mired in ossified, xenophobic and nationalist ideas, like his PASOK and Syriza predecessors.

Mitsotakis predicts his New Democracy/technocratic government will deliver 3% GDP growth in 2020 and kick start the Greek banking system's resurrection. Yet IMF, EU and German economists are less bullish and the Chinese coronavirus epidemic will hit Greece's tourism and foreign capital inflows in 2020.

After all, foreign creditors have not forgotten the €120 billion in losses they endured when Greece restructured €200 billion in sovereign debt and almost crashed out of the Euro. Nor should prospective foreign homeowners in Greece. As Mark Twain observed, history does not repeat but surely rhymes, an insight that is mission critical in real estate investing. A version of this article is available [here](#). ■