

NPL&REO in Greece 2023

SPRING UPDATE

Greece is steady as one of the most prominent markets in Europe for NPL transactions. However, and similarly to Portugal and Spain, the progress made in recent years and the change in macroeconomic conditions have led to a slowdown in transactional activity in 2022, with 2023 expected to see stabilisation.

Economy

Overall, in 2022 the Greek Gross Domestic Product (GDP) increased by 5.5%, according to the European Commission, slowing, as expected, from the 8.4% growth recorded in 2021. Following the European trend, Greece's economy recorded solid growth in the first half of the year, but rising inflation slowed the pace of economic growth in the second half of the year. However, both the Recovery and Resilience Facility and government measures helped to reduce the impact of energy prices on businesses' input costs and household's real disposable incomes.

Inflation averaged 9.3% in 2022 in Greece and is forecasted to reduce to 4.5% in 2023 and again to 2.4% in 2024, thus easing the burden on households' real income and benefit private consumption. Exports are also expected to pick up pace in 2024 and receipts from international tourism are forecasted to increase in 2023 and 2024. Overall GDP is expected to grow by 1.2% in 2023, above the 0.9% estimated for the Euro Area average. In 2024, GDP should pick up to 2.2%.

Property Market

The residential market continued to exhibit a strong price performance in 2022, with data concerning Q3 showing an annual rate of change in apartment prices of 11.2% in the country. This means that price's increases are speeding up, since the year-on-year increase in Q1 and Q2 of 2022 was 9.8% and 10.1%, respectively, while in 2021 apartment prices increased by an average annual rate of 7.6%. Over 2022, the rise pace has been sharper for new apartments (up to 5 years old), recording a year-on-year increase of 12.2% as of Q3. In old apartments (over 5 years old), prices have grown 10.5% in annual terms over the same period.

The increase in prices is especially strong in Athens, that records a year-on-year 13.0% growth in Q3, whereas Thessaloniki saw an increase of 11.1%, other Greek cities of 9.4% and other areas of the country of 8.9%. The aggregated acceleration trend is observed in all these regions, with the current rise in Athens comparing to the 9.7% growth recorded in 2021. In Thessaloniki, apartment prices had rose 7.4% over 2021, also below the current growth. As for other Greek cities and other areas of Greece prices had grown 5.8% and 4.8% in 2021, respectively.

At the same time, foreign investment on the Greek Real estate market recorded an all-time high in 2022, with €1.95 billion invested over the year. This not only reflects an impressive growth of 68% vis-à-vis the €1.17 billion invested in 2021, but also surpassed by 36% the previous peak in international investment, namely the €1.45 billion invested in 2019.

GDP GROWTH 2023 (FORECAST)
(SOURCE: EUROPEAN COMMISSION)

1.2%

GROWTH OF HOUSING PRICES
(Q3 2022 Y-O-Y)
(SOURCE: BANK OF GREECE)

11.1%

GROWTH OF HOUSING PRICES
ATHENS (Q3 2022 Y-O-Y)
(SOURCE: BANK OF GREECE)

13.0%

INTERNATIONAL DIRECT INVESTMENT
IN REAL ESTATE (2022)
(SOURCE: BANK OF GREECE)

€1.97 bn

NPL Stock and Ratio

Greece continued to make important progress in reducing NPL, reaching a stock of €11 billion in Q3 2022, almost half the €21.3 billion recorded a year earlier and equivalent to 3% of the EU total. In absolute terms, this means that €10.3 trillion in defaults left the national financial system over last year. On a quarterly basis, NPL stock reduced 3% in Q3 2022.

The largest share of NPL in the country continues to be in the Non-Financial Corporations (NFC) sector, which accounts for 54% of the national bad debt stock, totalling €5.9 billion as of Q3 2022. Of this amount, 69% is concentrated in Small and Medium Sized (SMEs) companies, while in terms of collateralisation, 53% of the NPL in the corporate segment is guaranteed by commercial real estate. In the NFCs segment, the downward trend continued to be evident in Q3, with falls both in comparison to the same quarter and the previous one. The stock of NPL in the corporate segment fell 51% year-on-year and 5% in quarterly terms, these being variation rates which can be seen both in the SME sub-segment and in terms of the share of the portfolio secured by commercial property. In the Household (HH) segment, despite continuing to contribute to a smaller share within the national NPL stock (40% in Q3), there was no reduction in quarterly terms. In Q3 2022, there were €4.4 billion in non-performing loans to households, of which €2.8 billion were mortgage loans. As for the total amount accounted among households, the current stock is 46% below Q3 2021, while in mortgages the y-o-y decrease is 39%.

The NPL ratio sits at 4.9% as of Q3 2022, less than half of the 10.5% registered a year ago and in a new decline from the 5.2% of the previous quarter. Nevertheless, Greece maintains the highest NPL ratio in the European Union and well above the European average, which stood at 1.8% in the same period.

Potential NPL Deals

Along with Italy, Greece continued to be one of the most dynamic markets for NPL transactions in Europe, reflecting the obvious impact of the government guaranteed securitization schemes implemented in both markets. In the case of Greece, the Hellenic Asset Protection Scheme (HAPS) has given a strong boost to NPL portfolio sales in recent years, and it is estimated that 2021 may have set a record for this type of transaction, at around €40-€45bn traded, of which more than half will have been completed under HAPS.

Regarding 2022, although the first months of the year initially showed a considerable volume of active portfolios in the market, suggesting a new boom, transitional activity will have remained around €17-€20 billion, a result influenced both by the progresses made in the reduction of the NPL stock over recent years and by the economic uncertainty that intensified in Europe and in the country in the second half of the year. If, on the one hand, we now are in a much mature market, where there has been an obvious reduction in the number and size of portfolios for sale, on the other hand, the economic outlook, with the sharp rise in interest rates and high inflation, ended up slowing down the market. More specifically, this may have led to the postponement of some sales processes, with both buyers and sellers rethinking their price and risk positions.

Nevertheless, there is still a lot of work to be done in Greece in terms of NPL reduction, which maintains its weight in total credit well above the European average (4.9% vs 1.8%). In addition, and somewhat in line with what is happening around the world, it is anticipated that NPL will increase also in Greece, due to worsening macroeconomic conditions and their impact on the capacity of households and companies to service their debt. However, this new wave of NPL is not expected to have immediate effects, with no increase in the volume of portfolios for sale for the near term. So 2023 is expected to be in line with 2022 transaction levels, with around €15-€20 billion of NPL traded, marked by the transaction of smaller portfolios and by longer decision-making processes.

NPL RATIO (Q3 2022)
(SOURCE: EBA)

4.9%

NPL STOCK (Q3 2022)
(SOURCE: EBA)

€11.0bn

SHARE IN EUROPE'S TOTAL NPL STOCK
(Q3 2022) (SOURCE: EBA)

3.0%

NPL SALES 2023
(ESTIMATED BY PRIME YIELD)

€15-20bn

About Prime Yield part of Gloval NPL&REO Services

Established in 2005 and since 2018 a part of Gloval, a leading property services group that provides integrated valuation, engineering and consulting services, Prime Yield delivers valuation, research and advisory/consultancy services and has been focusing on the NPL&REO market, specializing in Europe and Latin America. The company has an NPL&REO specialized business area, supported by Prime AVM&Analytics, an advanced technological solution that allows NPL's investors and sellers to have property valuations in a fast, simple and reliable way both for single assets and entire portfolios. Prime Yield is regulated by RICS and REV-TEGoVA, also holding a certification in Quality and Environmental Management (NP EN ISO 9001 and NP EN ISO 14001).

Visit us at <https://nplreo.prime-yield.com>

Contacts

SPAIN

Av. de Manoteras, 44 - 4ª planta | 28050 Madrid
T.: (+34) 915 613 388

PORTUGAL

Av. Columbano Bordalo Pinheiro, 75-9º, | Fração 9.06
1070-061 Lisboa | T.: (+351) 217 902 540

GREECE

1, Neofitou Vamva Street | GR-106 74 - Athens
T.: (+30) 210 68 01 786 int. 16

BRAZIL

Av. Brigadeiro Faria Lima, 1.461 - 4º, Torre Sul
Pinheiros | CEP 01452-002 | São Paulo - SP
T.: (+55) 11 3382-1536

e.: nplreo@prime-yield.com
www.nplreo.prime-yield.com

rev
Recognised European Valuer

 **RICS** | Chartered
Surveyors



primeyield[®]

GLOVAL
PART OF VAL