The Impact of the Financial Crisis on Residential Property Market of Greece

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Key words: Valuation; Greek property market, residential properties, financial crisis, hedonic model

SUMMARY

This paper is part of an ongoing research concerning the build of a model in order to evaluate the impact of the financial crisis on residential property market with application to the residential sector of Thessaloniki's real estate market.

The Greek Economy continues in the dawn of 2016 the 9th year of recession due to credit crunch of 2008. Greece's social and economic crash is reflected in its property slump. The Greek Real Estate Market (GREM) has long been a pillar of the Greek economy and as a result has been severely affected too. The GREM continues to be characterized by excess supply and falling purchase and rental values as well as by a limited number of transactions. According to Eurostat, the EU's statistics agency, the country had suffered the second steepest decline in house prices after Croatia, the bloc's newest member. The main key characteristics of this recession are the further decrease in households' disposable income, the contraction of investment activity, and the uncertainty regarding the tax environment as well as the rising unemployment.

In this research, a sample of over 3000 comparable sales and valuation reports of residential properties in the Metropolitan area of Thessaloniki have been gathered and integrated into a database for a time period from 2008 till now. The database includes also a number of the characteristics for each individual property such as age, size, floor, and date of purchase/valuation. At the same time, other variables such as household income, unemployment rates, inflation and construction activity might be taken into consideration. The main tool of the empirical analysis is the hedonic model. The hedonic model, which is extensively used in the related literature, is the classic multiply linear regression which regresses the house values with their particular characteristics providing a coefficient to each characteristic. The estimated coefficients constitute the marginal prices of property characteristics. The analysis of the empirical results provides

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significant information in order to assess the behaviour of Thessaloniki's residential market and more importantly how the house values are influenced by the economic crisis.

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