The effects of legislation changes and economic crisis on land transactions in Greece

Panos Lolonis, Ph.D.
Member of the Scientific Council
Ktimatologio S.A.
e-mail: plolonis@ktimatologio.gr

Background

Nation-wide statistics

- Area: 132 Sq. Km
- Population: 10,962,000
- Households: 3,664,071
- Municipalities: 5,775
- Residences: 5,475,400
- 2nd housing residencies: 1,600,000
- Residence area / person: 35 m²
- Land parcels: ~15-18 million
- Property rights: ~37,2 million
- GDP: ~€220 billion
- GNI per capita: ~€21,000
- Value of privately owned land: ~€750 billion

Densities of property rights in Greece
(Source: Hellenic Cadastre)
Background

Land registration systems

- Deeds registry system
  - Operates since 1853
  - Consists of 397 Registry Offices
  - Covers the entire country
  - Registers ~1.000.000 deeds / year

- Cadastral system
  - Introduced in 1995
  - Is developed gradually
  - 1st round of cadastral surveys
    - Municipalities: 340 (6%)
    - Area: 8.400 Km² (6.4%)
    - Rights: 6.400.000 (17%)
    - Registry Offices: 97 (24%)
    - Initiation of surveys: late 1990s
    - Operation (first office): 2003

Areas surveyed in the first round of projects


Areas surveyed in the second round of projects

Land registration systems (continued)

- 2nd round of cadastral surveys
  - Municipalities: 107 (2%)
  - Area: 3.100 Km² (2.3%)
  - Rights: 7.350.000 (20%)
  - Registry Offices: 33 (8%)
  - Initiation of surveys: late 2008
  - Surveying procedure in progress

- 3rd round of cadastral surveys
  - Evaluation of bids in progress

- 4th round of cadastral surveys
  - Tendered in Feb. 2012
  - Evaluation of bids in progress

- 5th round of cadastral surveys
  - To be tendered within 2012

Land sector development during the period 1970-2005

A) Registered land transactions

**Trends 1970-2005**

- Significant increase in the number of registered land transfers (~130% or ~3.7% per year)
- Relatively strong increase in the number of registered mortgages, particularly during the last 15 years of the period
- Drastic increase in the fees collected by the registrars particularly due to the registration of mortgages

B) Fees collected

and then…
The Crisis is Here…

The chronicle of the crisis

- 2008: The Lehman Brothers bankruptcy
- 2009: Call for early elections in Greece due to difficulties in financing the public debt
- 2010: Signing of the 1st bailout agreement
- 2012: Signing of the 2nd bailout agreement
Parallel Factors Affecting Land Transactions

Changes in Legislation

- 01/01/2006: Law 3427/2005
  Imposed a VAT (19%) on the first transfer of every new building
- 29/01/2008: Law 3634/2008
  Abolished taxes on property inheritance or parental gifting and replaced them by the “Unified Property Tax”
  Abolished the “Unified Property Tax” and re-instated the inheritance and parental gifting taxes
- 21-09-2011: Laws 4014&4030/2011
  Made mandatory the certification by an engineer that there are no illegal structures on properties being transferred or leased. Also, it made mandatory to include a geo-referenced topographic plan to the documents that refer to property transfers
- 01/12/2012: Law 3661/2008
  Necessitated the Energy Efficiency Certificate on all buildings that are sold or leased

The Impact of the Crisis and Legislation Changes on Land Transactions

Note: Data from 113 municipalities that had been incorporated into the operational cadastral system before Jan. 2005
The Impact of the Crisis and Legislation Changes on Property Sales and Registration of Restrictions

Notes: Data from 113 municipalities that had been incorporated into the operational cadastral system before Jan. 2005

Registration of restrictions, in essence, corresponds to registration of mortgages

VAT Law
Abolition of Inheritance & Parental Grant Tax
Inheritance & Parental Grant Tax Law
Illegal Construction & Energy Efficiency Laws

Lehman Brothers
Elections
1st bailout agreement
2nd bailout agreement

The Impact of the Crisis and Legislation Changes on Property Parental Grants

Note: Data from 113 municipalities that had been incorporated into the operational cadastral system before Jan. 2005

VAT Law
Abolition of Inheritance & Parental Grant Tax
Inheritance & Parental Grant Tax Law
Illegal Construction & Energy Efficiency Laws

Lehman Brothers
Elections
1st bailout agreement
2nd bailout agreement
The Impact of the Crisis and Legislation Changes on Inheritances and Donations in Life

Abolition of Inheritance & Parental Grant Tax

Illegal Construction & Energy Efficiency Laws

Note: Data from 113 municipalities that had been incorporated into the operational cadastral system before Jan. 2005


Conclusions

- The economic crisis and certain parts of the legislation introduced during the past decade (VAT, inheritance and parental grant tax) seem to have a significant negative effect on land transactions.
- The effect of the legislation changes is more evident on land transactions that are related to sales and parental grants.
- The legislation changes and the economic crisis, so far, have not affected significantly land transactions that are related to inheritances and donations in life.
- Legislation mandating energy efficiency certifications or certification of absence of illegal structures in properties that are transferred or leased is very recent and its consequences on land transactions cannot be determined yet.
- Lack of funding, increased property tax that has to be paid during land transactions, and increased bureaucracies may reduce the number of land transactions. Also, they are likely to force people to perform land transactions outside the formal sector.