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# A BIG FAT GREEK REAL ESTATE SALE

Athens hopes selling property could raise billions to help Greece skirt default. But with a month left to line up a plan, the big sale isn't taking off

BY DINA KYRIAKIDOU  
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Would you do a property deal with Greece? For a country that hopes to escape bankruptcy by shifting billions of euros worth of prime real estate, Athens' sales pitch is far from reassuring.

Take its attempts with the old Hellenikon

airport in Athens. The airport closed in 2001, leaving 170 acres of coastal land that successive governments have tried to turn into something that could make money. A decade on, plans to raise 7 billion euros (\$10 billion) by partnering with Qatar to build a financial district along the lines of London's Canary Wharf remain stuck on the drawing board.

The old airport is a poignant symbol of

hope unrealised. An old Boeing 747-200 sits rusting among the weeds, abandoned airport equipment litters the parking lot, and once-busy terminals stand empty only a few hundred meters from the sparkling Aegean Sea, the wind howling through the broken doors and windows.

Local mayor Christos Kortsidis -- famous for a 24-day hunger strike in 2007 that

forced private clubs to give the public free access to beaches -- has vowed to block any construction on the site, and wants a massive public park built there instead.

"We will do everything we can to stop government plans," the mayor told Reuters at his office, a small bust of Lenin on his desk. "We will exhaust every legal means both here and abroad. This project has no future."

One year after the European Union and the IMF bailed Athens out to the tune of 110 billion euros, financial markets are asking not if, but when, Greece will go ahead with the default the bailout was supposed to prevent. Its debt is already rated junk by all three major agencies -- below that of Turkey and Egypt -- with further downgrades in sight. Greece insists a restructuring would be a major mistake. Pivotal to its effort to avert what Brussels officials prefer to call a rescheduling is an ambitious plan to raise 50 billion euros by 2015, the bulk of it from real estate. It wants to sell off or lease everything from the old airport to tourist sites, from government utilities to the decaying remnants of the 2004 Olympic games.

**"FORGET ABOUT TRYING TO LIST EVERYTHING. THERE ISN'T TIME. "**

Privatisations alone will not save Greece from bankruptcy: it will need to tighten its budget belt even more than it already has. But without them, Greece can forget about avoiding default. "I think that without this, it will be very difficult to avoid a restructuring," said Diego Iscaro of IHS Global Insight. "If we want to look at the optimistic scenario, to avoid restructuring this will be a prerequisite, a must."

Some analysts say 50 billion euros is much too ambitious a target, and would consider even 20 billion good news. Even that would hardly make a dent. Citigroup said in an April report that even the rosier scenario -- under which Greece managed to raise the 5.5-7.5 billion euros it targets for 2012 -- would still not fill a 27 billion euro funding gap that Greece will need to fill in bond markets next year. And according to IMF estimates, 50 billion euros of privatisation proceeds by 2015 would only reduce debt to 134 percent of GDP: a level many economists still consider too high.

Fellow members of the eurozone want Athens to begin the big selloff as soon as possible and have demanded that the first 15 billion be raised by 2013. Greek think-tanks



**PRESSURE:** From top: Mayor Christos Kortsidis, in his office in March 2011, has vowed to oppose the Hellenikon project; German Chancellor Angela Merkel has had political problems with the Greek bailout: here she listens to Greek Prime Minister George Papandreou at an EU leaders' summit in Brussels, December 2010; Papandreou talks to France's President Nicolas Sarkozy at the summit. **REUTERS/YIORGOS KARAHALIS, YVES HERMAN, FRANCOIS LENOIR**

and other experts estimate Greece is sitting on some 300 billion euros worth of state property -- almost as much as the country's entire debt. "How could Greece ask its partners for cash and not take advantage of its own holdings?" asked one western official in March, requesting anonymity so he could speak more freely about the matter. "There was a lot of pressure on Athens to deliver a game plan."

So far, though, enacting that game plan has been slow. Like a home-owner who can't afford the mortgage, Greece has, extremely reluctantly, agreed to part with some assets. But it's still struggling to work out what it owns, let alone what exactly it's going to offer or how it's going to package it. And now the building's other tenants -- mayor Kortsidis and millions of other Greeks opposed to any selloff -- are rebelling and refusing to leave. Even if Athens could find takers, its plans risk being upset from within.

Don't expect Europe to cut Athens any more slack. A Greek default would trigger further problems in Ireland, Portugal and even Spain, and hurt at least politically in Berlin, Paris and other capitals. Berlin hopes Greece's privatisation programme will convince resentful voters in Germany that the Greeks are sharing the costs of the bailout.

"When you have so many people talking about the need for Greece to reschedule its debt, and so many people saying that a



rescheduling is unnecessary, there's only one thing you can conclude -- that it's going to happen at some point, it's just difficult to say when," said a euro zone source in Brussels who spoke anonymously because they are not authorised to talk publicly about Greece's structural programme.

#### ANCIENT WRANGLE

GREECE DOESN'T HAVE A lot of time. It promised its international lenders in February it would produce a comprehensive list of what it owns by June. Once it determined which state entity owned what property, it said, it would decide how to proceed.



well as rampant corruption – lobbying group Transparency International says Greece's building permit offices are the country's most corrupt institutions along with tax authorities – and it's little wonder that Greece's property holdings are a mess. That's long been a problem. When Pericles built the Parthenon in the 5th century BC, he was accused by political enemies of embezzling money from his unwilling allies "to dress up Athens like a whore".

In one of the most blatant recent cases, a former conservative environment minister was caught building a summer house near Athens with an expired permit. He was not sacked.



"It must be so transparent that it convinces everyone nothing dirty lurks behind, nothing suspicious that will make some rich from stealing the people's property," said Aristotelis Karytinis, head of group real estate at the National Bank of Greece (NBG), the country's largest commercial bank.

#### 'WE MUST CHANGE'

BUT THERE'S A PROBLEM with that: corruption helps grease the slow wheels of bureaucracy.

Red tape can delay projects for years, said Yannis Perrotis, managing director of CB Richard Ellis-Atria and part of a committee set



**PROTESTS:** From left: riot policemen amid tear gas during an anti-government protest in Thessaloniki in September 2009; an explosive device, thrown by a protester, goes off next to riot policemen during clashes at Keratea town near Athens last month -- residents were protesting against the planned construction of a landfill dump close to an archaeological site near Athens; a mannequin behind a broken shop window following an attack at central Kolonaki district in Athens in March 2009.

REUTERS/GRIGORIS SIAMIDIS, YIORGOS KARAHALIS

With a month to go, those plans seem absurdly optimistic. "Forget about trying to list everything. There isn't time," said one property expert who sits on one of the seven bank-led committees that have answered the government's call for expressions of interest in identifying "pieces of property that can be easily and quickly exploited." The committees haven't yet been assigned their tasks, let alone having any idea how they are supposed to work, he said.

In that, the plans are following a familiar path in Greece. From the building boom that created modern Athens to the tourist developments that have turned sleepy Aegean islands into the country's biggest money-makers, property development has often been anarchic.

The tourist explosion of the 1960s turned sandy coastlines into prime suburbs, but also spurred an ugly rash of cheap developments that flouted both zoning rules and aesthetics. The absence of any land registry until a few years ago, and a widespread and often blatant disregard for building restrictions, have rendered some state-owned properties unsellable.

Add to this an overbearing bureaucracy as

But no scandal has shaken Greece in recent years more than a monastery land swap that helped bring down the conservative government in 2009 and illustrated the state's failure to take advantage of its own

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assets. In 2008, monks at the wealthy Mount Athos monastery of Vatopedi convinced government officials to exchange cheap farmland for prime Athens real estate, in a deal that cost taxpayers millions of euros in lost land value. Despite parliamentary investigations, no senior politician has so far been charged.

Such scandals have created suspicion among voters who see politicians and their business friends profiting from opaque real estate trades with seeming impunity. For the privatisation plans to work, local property experts say, they will have to be squeaky clean.

up in 2003 by the then-socialist government to target one billion euros in state property development. That plan was interrupted when the conservative New Democracy party came to power in 2004, and then again when the Vatopedi monastery scandal broke.

While small local developers can virtually raise buildings anywhere, for a major foreign investor red tape is a disincentive. "Many foreigners have had very bad experiences going through unimaginable troubles from Greek bureaucracy," said Karytinis.

Even if the problems of corruption and bureaucracy are dealt with, things can get tangled quickly for other reasons.

The airport at Hellenikon is exhibit A. The government hopes bulldozers will start work there for the project with Qatar -- which it says was attracted by the unique location of the site -- as early as the first quarter of 2012. That would give Greece a much-needed psychological boost and give a signal to investors that Greece can work.

"Hellenikon will add value, create jobs and motivate the international business community. It is a womb that will bear many children," said Harris Pamboukis, State



**ANCIENT TREASURES:** Above, in 2008, monks at the wealthy Mount Athos monastery of Vatopedi convinced government officials to exchange cheap farmland for prime Athens real estate. In this January, 2011 picture a Greek Orthodox monk walks on a footbridge leading to Saint Nicolas Orthodox church. The church is part of the Vatopedi monastery based in Mount Athos. Below, protesting contract workers raise a banner on top of the Propylae temple at the Acropolis hill in Athens in October 2010. The banner reads "No to job layoffs". **REUTERS/YANNIS BEHRAKIS, JOHN KOLESIDIS**



Minister in charge of major projects, in March.

But the project's opponents, led by mayor Kortsidis, are determined to stop it. The soft-spoken leftist admits that financially strapped local municipalities cannot afford to maintain the huge public park he is fighting for, but insists they will fight all the same. His town hall in the southwestern Athens suburb of Argyroupoli is a picture of neglect, with peeling paint and littered steps.

"Just because we can't take care of a square doesn't mean we have to hand it over to private interests. We must change, we must do things better ourselves," said Kortsidis.

Greece has a long history of protesters blocking projects. Neighbours held up the

construction of the new Acropolis Museum for more than a decade. This time, the government says it is determined to avoid delays.

"We will clash with anyone who has an agenda of doing nothing," said Pamboukis, the minister. "The only way to stop a project is through the law. The government will be very tough on illegal actions which are often politically motivated."

Qatar's interest in Hellenikon shows the demand is there, he said. "Foreign investors are interested in Hellenikon because it is rare, and rare is desirable. It will unblock things and inspire others and that is why the prime minister is urging us to go faster."

Well, sort of. Prime Minister George

Papandreou tried to calm public disquiet by telling parliament in February that "not an inch of Greek land will be sold". That added to the confusion -- it seems to mean that only buildings would be sold, but land would be leased or parcelled out using a more complex instrument, such as a holding company selling shares to investors. In the current depressed international economy, such deals might be hard to sell.

Apart from Qatar, demand for projects may come from China -- its Cosco Pacific signed a 3.4 billion euro concession to run the port of Piraeus in 2008 -- Russia or Japan. "No one else has the money," said one euro zone finance official, who discounted the prospect of a European buyer.

But potential buyers are wary. A Qatari consortium walked away from a 3.5 billion euro energy project in western Greece in October, a setback for Greek hopes to lure up to \$5 billion in investment from the cash-rich Arab emirate. Government officials said at the time the two Qatari companies involved, Qatar Petroleum and the Qatar Investment Authority, could not agree with their Greek partners on the viability of the plan.

#### EXPENSIVE ODYSSEY

ADVISERS TO THE government have so far issued a list of 20 initial potential assets to sell, including land on the island of Rhodes which might be turned into a golf course, and an area next to the spectacular Rio-Antirio bridge near the western port city of Patras that could be used for tourism or business development.

How much might Greece really own? A first glimpse came in a report last November by the ISTANCE think tank, which put the value of property owned directly by the state at 272 billion euros. This did not include tourist assets such as marinas, camping sites and spas, or Olympic Games venues that belong to two different state organisations, and ISTANCE admitted its figure may be way off.

"Commercial value can certainly be more but it will hinge on how one exploits it," said ISTANCE President, Elias Mosialos, a socialist MP. "It depends on how it can be used, if it has legal or infringement issues, and if it can be developed."

Greek officials and bankers started to bounce the 300 billion euro figure off investors in London and New York during trips in late 2010. With the figures in the open, Europe and the IMF pushed harder and after an inspection visit in February an initial government target of 1 billion euros in privatisation revenues in 2011 was revised



**FLYING THE FLAG:** "Foreign investors are interested in Hellenikon because it is rare, and rare is desirable," says minister Harris Pamboukis. **REUTERS/YIORGOS KARAHALIS**

dramatically upwards, to the 2-3 billion this year and 15 billion by 2013.

Much rides on Hellenikon. Clinching a deal with Qatar and smoothly launching the project will offer foreign investors concrete proof that things in Greece can change. But that will have to be followed by an overhaul of the property and development laws. "We must offer projects that are ready to go, if possible with permits obtained to avoid such problems in the future," NBC's Karytinios said.

This makes a no-go of sites redolent with historic appeal that draw millions of tourists every year. They are often so entangled in archaeological, environmental and legal restrictions that from a property developer's point of view there's nothing to be done with them. That rules out landmarks like the Acropolis, even though Germany's media have suggested that Greece sell it off to pay down its debts.

"A monument may be priceless but it has no real estate value because we are looking for development," Karytinios said. "We must look at what we have and how best to take advantage of it without getting stuck in Greece's legal jumble."

Can Greece do it? Pamboukis said the effort will combine the experience of the public sector with the international view and dynamism of the private sector.

"Imagine it as a Greek Odyssey," he said. "Odysseus reached Ithaca following an idea. He didn't have a map but he made it home."

It took Odysseus a decade.

*(Additional reporting by Renee Maltezou, Harry Papachristou and Tatiana Fragou in Athens and Luke Baker in Brussels; Editing by Simon Robinson and Sara Ledwith)*

**COVER PHOTO:** The old Athens airport in the Hellenikon-Argyroupoli suburb southwest of Athens, March 2011. **REUTERS/YIORGOS KARAHALIS**

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