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ARCHITECTURAL ENGINEERING CONSULTANCY SERVICES

RESEARCH
DATA ANALYSIS
INSIGHTS

Exploring Funding Opportunities for Construction & Development Projects in Crete.

FUNDING LANDSCAPE 2025-2027

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ARENCOS is an architectural and engineering business based in Chania, Crete. The firm also provides dedicated property management, consulting and real estate advisory services to private clients and investors spanning multiple industries. With a highly qualified team of engineers, architects, topographers, interior designers, renewable energy engineers, property management professionals and researchers, ARENCOS brings world-class capabilities and high-quality service to clients, delivering the insights they need to identify and establish exceptional real estate opportunities and address the most complex construction challenges.

ARENCOS services are devoted to becoming the standard of excellence.

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The findings and analysis presented in this report regarding the construction market trends in Chania, Crete, are based on data available up to July 2024. While every effort has been made to ensure the accuracy and reliability of the information provided, the dynamic nature of the construction industry means that trends and conditions can change rapidly. Therefore, the insights and projections contained in this report should be interpreted with caution and used as general guidance rather than definitive predictions.

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Note

We got most provided information from these sources:

Combination of financial instruments and grants under shared management funds in the 2021-2027 programming period
https://www.fi-compass.eu/library/how-to/combination-financial-instruments-and-grants-under-shared-management-funds-2021-2027

NOTE ON THE GREEK ECONOMY - December 06, 2024 from the Bank of Greece
https://www.bankofgreece.gr/Publications/Note_on_the_Greek_economy_06_December_2024.pdf

SUMMARY OF ECONOMIC DEVELOPMENTS AND OUTLOOK

	2021	2022	2023	2023				2024			2024											
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
GDP, % y-o-y	8.7	5.7	2.3	2.0	3.0	2.2	2.1	2.2	2.3	2.4	-	-	-	-	-	-	-	-	-	-	-	-
Exports, % y-o-y	24.4	6.6	1.9	8.7	-1.7	0.0	0.9	-5.3	1.7	3.3	-	-	-	-	-	-	-	-	-	-	-	-
Industrial production, % y-o-y	10.1	2.4	2.3	2.2	1.1	-0.1	6.0	3.6	9.6	5.4	10.2	2.0	-0.5	12.2	6.9	9.7	9.9	3.3	2.5	...	...	...
Retail sales volume, % y-o-y	10.2	3.3	-3.3	-2.6	-4.4	-3.2	-3.1	-4.7	3.2	-2.8	-9.3	-9.5	5.3	-6.5	10.5	6.0	-2.5	-5.1	-0.6	...	...	...
PMI (50=no change)	56.2	51.8	51.6	51.2	51.9	52.2	51.0	55.8	54.7	52.1	54.7	55.7	56.9	55.2	54.9	54.0	53.2	52.9	50.3	51.2	50.9	...
ESI (average=100)	105.9	104.8	107.6	106.5	108.2	109.9	105.6	107.3	110.4	107.6	107.7	105.2	109.0	109.2	111.3	110.6	106.6	106.0	110.1	106.9	106.1	...
HICP, % y-o-y	0.6	9.3	4.2	6.4	3.8	3.1	3.5	3.2	2.7	3.1	3.2	3.1	3.4	3.2	2.4	2.5	3.0	3.2	3.1	3.0*	...	...
Total employment, % y-o-y	1.4	5.4	1.3	1.3	1.7	1.0	1.2	1.8	2.2	1.6	1.9	1.7	1.7	3.5	0.1	2.7	1.0	1.3	2.3	1.8	...	...
Unemployment rate, %	14.7	12.4	11.1	11.8	11.2	10.8	10.5	12.1	9.8	9.0	11.2	11.4	10.4	10.5	10.4	9.4	9.6	9.5	9.4	9.8	...	...
Current Account, bn	-12.3	-21.2	-13.9	-3.8	-4.1	1.2	-7.3	-3.8	-4.5	0.6	1.8	-3.1	-2.5	-2.5	-2.3	0.3	0.3	0.7	-0.3	...	...	...
(% of GDP)	-6.6%	-10.2%	-6.2%																			
Gen. Gov. primary balance (% of GDP - Q cumulatively)	-4.5	0.0	2.1	-1.5	-0.3	1.1	2.1	-0.6	1.5		-	-	-	-	-	-	-	-	-	-	-	-
Public Debt (% of GDP - Q cumulatively)	197.3	177.0	163.9	162.9	164.0	165.0	163.9	155.5	155.9	156.3	-	-	-	-	-	-	-	-	-	-	-	-
Bank deposits, private, % y-o-y	9.9	4.8	3.0	4.5	3.5	3.4	3.0	2.6	2.9	3.3	2.7	3.0	2.6	2.8	2.5	2.9	2.7	3.3	3.3	3.3	...	...
Bank credit to NFCs, % y-o-y	3.7	11.8	5.8	10.6	5.8	4.7	5.8	6.6	9.4	9.2	5.0	6.2	6.6	6.9	7.6	9.4	9.7	10.5	9.2	13.4	...	...
Bank credit to HHs, % y-o-y	-2.4	-2.5	-2.0	-2.5	-2.7	-2.3	-2.0	-1.4	-0.9	-0.9	-1.9	-1.7	-1.4	-1.1	-1.0	-0.9	-0.8	-0.7	-0.9	-0.7	...	...
10y GR yield, %	1.31	4.59	3.08	4.26	3.72	4.36	3.08	3.29	3.74	3.12	3.24	3.39	3.29	3.47	3.66	3.74	3.35	3.33	3.12	3.35	2.95	2.94

*Eurostat flash estimate.

Economic Activity

- ***The economy continued growing in 2024:Q3, at a slightly stronger pace compared to 2024:Q2, mainly due to the rise in private consumption and exports of goods and services.***
- **Soft data** (PMI, ESI), despite some softening in November, remain at relatively high levels compared to the euro area.
- **Hard data** are overall positive. Most indicators continue to move in positive territory (industrial production, construction, tourism, employment). Retail sales and weaker growth of goods exports along with accelerating growth rates of imports are among the main weaknesses currently.

Prices and real estate market

- ***HICP inflation*** followed a declining path in the first half of 2023 and oscillated in the second half, declining from 7.3% in January 2023 to 3.7% in December. In the January-October 2024 period, average inflation declined further to 3.0%. In October 2024, headline inflation remained unchanged at 3.1%. This development is attributed to a significantly high annual rate of change for services inflation which was offset by declines in the energy, unprocessed food, processed food and non-energy industrial goods' inflation. According to a flash estimate by Eurostat, HICP headline inflation declined slightly to 3.0% in November 2024.
- The positive trend of **real estate prices** continued in 2023, especially in the residential market, with apartment prices increasing by 13.8%, up from 11.9% in 2022. In 2024:9M, apartment prices continued to increase at a strong, though decelerating, rate (9.3% y-o-y).

Labour market and costs

- ***Employment growth continued to improve in 2024:Q3, and the unemployment rate decreased by 1.8 percentage points compared to 2023:Q3.***
- **Total employment** growth remained positive in 2024:Q3 largely due to higher demand for labour in the tourist, construction, trade and tourist sectors. LFS monthly data for October 2024 show an increase in employment growth, while the unemployment rate (sa) increased compared to the previous month.
- **Net flows of dependent employment in the private sector** were positive but lower in the January-September 2024 period compared to the corresponding period of 2023.

External Balances, Competitiveness

- The **current account deficit** rose in the January-September period, compared to the corresponding period of 2023, due to a deterioration in the balance of goods and, to a lesser extent, in the primary income account, which was partly offset by an improvement mainly in the secondary income account but also in the balance of services.
- The nominal effective exchange rate continued to appreciate further in 2024:Q3. Nevertheless, the unit labour cost competitiveness indicator trend reversed during 2024:Q2 following deterioration in 2023:H2 due to wage increases. The price competitiveness indicator posted a small deterioration in 2024:Q3, despite the fact that price differentials remained favourable for Greece.

Fiscal developments

- The 2023 **general government primary outcome** recorded a surplus of 2.1% of GDP against a balanced primary outcome in 2022. The **debt to GDP ratio** decreased to 163.9% in 2023 from 177.0% of GDP in 2022 (lowest since 2010) due primarily to the denominator effect (higher nominal GDP).
- Both indicators are expected to further improve in 2024 primarily on the back of economic growth.
- In the 2nd EDP notification (22.10.2024), a methodological change as regards the statistical recording of deferred interest on EFSF loans increasing the face value of general government gross debt was implemented for the period 2013-2023, following Eurostat's advice. However, the statistical treatment of deferred interest does not affect the public debt sustainability.

Money and Credit

- During 2023-2024, the growth rate of **household deposits** decelerated under the impact of high inflation and high opportunity costs of bank deposits.
- **Corporate bank credit growth** slowed significantly during 2023 due to higher interest rates and weakening economic growth but since end-2023 it has rebounded considerably. **Bank loans to households** continue to decline due to deleveraging in housing loans. However, the dynamics of housing loans have become somewhat less negative since the second half of 2023.
- **Bank lending rates** recorded substantial increases in 2023 due to policy tightening, especially for corporate loans. Since the last months of 2023 though, there are indications that lending rate rises have started to reverse.

Financial markets

- In 2023, **the sovereign credit rating of Greece returned to Investment Grade**, as the Greek economy has continuously performed better than expected in the fiscal and economic activity fronts.
- **Greek government bond yields** decreased in 2023 more than yields of other euro area sovereign bonds due to the credit rating upgrades of the sovereign; in 2024-to-date GGB yields have risen from their December 2023 lows but remain significantly lower than their 2023 average.
- **Greek shares** posted a strong positive return in 2023; in 2024-to date, share prices have risen supported by the favourable growth prospects of the economy.

Other information

- In August 2023 Greece submitted a request to the European Commission to modify its Recovery and Resilience Plan (RRP). At the core of the revision is the addition of a REPowerEU chapter including a new package of investments and reforms with European funding of €795 mn, as well as a request for additional loans of €5 bn. These additional funds make up the submitted modified plan worth €18.22 bn in grants and €17.73 bn in loans, that is €36 bn in total. The revised plan also incorporates a redistribution of funds to cover repairs in key infrastructure damaged by the September 2023 floods in Thessaly. The revised plan was approved by the European Commission in November 2023.

Supportive EU and ECB policies and measures

- Over the period 2021-2027, Greece is entitled to receive more than €70 bn of **EU funds**. About half of these funds (€36 bn) are related to the EU Recovery Plan (NGEU). The rest is structural funds from the EU budget 2021-2027.
- **NGEU funds** are targeted at growth-enhancing high value-added projects in the areas of energy saving, the transition to green energy, the digital transformation of the public and the private sector, employment, social cohesion, and private investment.
- According to BoG estimates, full execution of the **EU Recovery Plan** will contribute to a significant increase of 7% in real GDP by 2026, primarily due to the increase in total investment and total factor productivity. At the same time, it will contribute to the increase of employment, private investment, exports and tax revenue.
- **The implementation of the reforms associated with the NGEU** is projected to bring about a permanent increase of real GDP and total factor productivity (in the course of ten years).

Key Challenges

Short-term economic policy challenges:

- Controlling inflation.
- Accelerating investment, in part by mobilizing available European resources.
- Addressing emerging labour market shortages and skills mismatch.
- Designing climate adaptation strategies and disaster preventive measures.
- Ensuring energy security through investment in clean energy.
- Maintaining fiscal sustainability.
- Efficiently managing non-performing loans.

Medium to long-term economic policy challenges:

- Maintaining primary surpluses over an extended horizon to ensure public debt sustainability.
- Implementing structural reforms to support long-term growth.
- Addressing the current account deficit through the strengthening of the Greek economy's competitiveness.
- Stepping up the pace of the privatisation and reforms programme and continuing to improve the management of state assets in order to attract foreign direct investment.
- Promoting innovation, education and knowledge-based capital.

BACKGROUND INFORMATION

1. ECONOMIC ACTIVITY

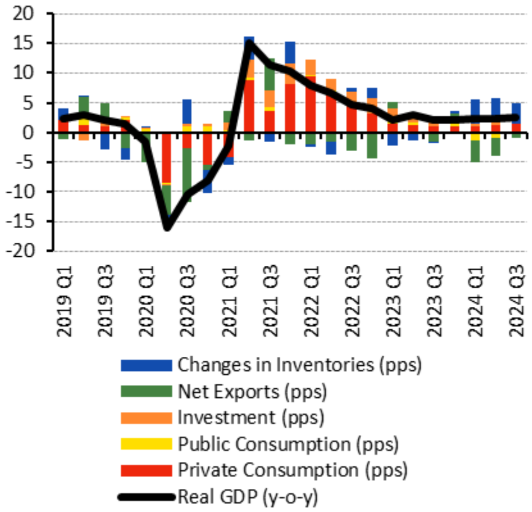
Table 1.1: National accounts data

% y-o-y	2022	2023	2023 Q4	2024 Q1	2024 Q2	2024 Q3
1. GDP	5.7	2.3	2.1	2.2	2.3	2.4
-Private consumption	8.6	1.8	1.4	1.6	1.8	2.1
-Gov. expenditure	0.1	2.6	4.0	-6.8	-4.2	-1.4
-Gross fixed capital formation	16.4	6.6	0.6	2.6	3.7	0.3
-Exports	6.6	1.9	0.9	-5.3	1.7	3.3
-Imports	11.0	0.9	-2.4	3.7	8.7	4.2
2. Gross Value Added	5.3	2.2	2.1	1.1	2.4	2.3
-Services	5.5	3.3	2.0	0.7	1.2	1.9
3. Private sector savings*	10.1	8.4	8.4	7.4	…	…
4. Real disposable income	1.0	2.5	3.9	-2.2	…	…

* Savings of households and non-financial companies, as a % of GDP, annualized data.
Source: ELSTAT, revised annual national accounts and quarterly national accounts.

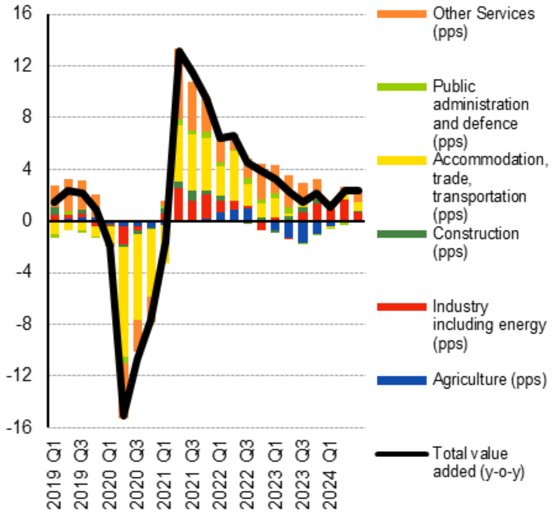
- **Economic activity** continued growing in 2024:Q3, at a slightly higher pace compared to 2024:Q2, mainly due to the rise in private consumption and exports of goods and services. By contrast, investment declined on a q-o-q basis, while it increased at a decelerating rate y-o-y.
- **Gross fixed capital formation** increased (y-o-y) at a decelerating rate in 2024:Q3 due to the fall in investment in transport and ICT equipment (-19.3% y-o-y and -3.7% y-o-y, respectively) and the deceleration in machinery equipment investment (2.4% y-o-y, as against 14.2% y-o-y in 2023:Q3). On the other hand, housing and other construction investment continued growing (+7.2% y-o-y and +3.3% y-o-y, respectively).
- **Output** (as measured by gross value added) increased in 2024:Q3 due to the good performance of the services as well as of the industry and construction sectors.
- **Savings of the non-financial private sector** continued their downward trend, reaching 7.4% of GDP in 2024:Q1, down from 8.4% in 2023 and 10.1% in 2022. Households' dissaving deepened, while savings by non-financial corporations (NFCs) stabilized, remaining above their pre-pandemic levels (2016-2019 average: 8.0% of GDP). The strong performance of the tourism and construction sectors, among other factors, has recently fuelled corporate profits. Additionally, disbursements from the Recovery and Resilience Facility (RRF) have further boosted business savings. In contrast, the withdrawal of COVID-19 and energy support measures, the continued easing of pent-up demand, and the repayment of debt and tax liabilities have significantly weighed on household savings, keeping them more negative than the pre-pandemic four-year average (2016-2019: -2.1% of GDP).
- Nominal **disposable income of households** increased by 1.1% y-o-y in 2024:Q1 due to the positive contribution of labour income, i.e. compensation of employees and self-employed income, while real disposable income of households declined by 2.2% y-o-y reflecting the effect of elevated inflation.

Chart 1: Real GDP growth decomposition *(percent contribution)*



Source: ELSTAT, Quarterly National Accounts, December 2024.

Chart 2: Gross value added by sector of economic activity *(percent contribution)*



Source: ELSTAT, Quarterly National Accounts, December 2024.

Table 1.2: Monthly Conjunctural Indicators

	2020	2021	2022	2023	2024											2024
					Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	y-t-d
1.ESI (average=100)	95.1	105.8	104.8	107.6	107.7	105.2	109.0	109.2	111.3	110.6	106.6	106.0	110.1	106.9	106.1	-
-Consumer confidence	-32.5	-35.4	-50.7	-40.0	-46.3	-47.2	-44.7	-41.7	-43.8	-42.7	-43.9	-48.1	-51.3	-50.3	-47.3	-
2.PMI (50=no change)	46.6	56.2	51.8	51.6	54.7	55.7	56.9	55.2	54.9	54.0	53.2	52.9	50.3	51.2	50.9	-
3.Industrial Production, % y-o-y	-2.0	10.1	2.4	2.3	10.2	2.0	-0.5	12.2	6.9	9.7	9.9	3.3	2.5	…	…	6.2
-Manufacturing Production, % y-o-y	-1.5	9.0	4.6	4.2	5.2	2.7	-2.2	12.1	4.6	5.5	9.1	3.3	5.2	…	…	5.1
4. Turnover of enterprises, % y-o-y	-9.9	21.6	36.0	-2.8	-1.5	9.7	-2.0	16.1	1.5	2.7	12.7	2.9	1.9	…	…	4.0
5.Building permits, % y-o-y	5.9	45.9	-2.2	15.9	9.6	75.6	13.1	27.3	3.8	-12.0	-2.9	-13.9	…	…	…	9.1
6.Retail sales volume, % y-o-y	-4.0	10.2	3.3	-3.3	-9.3	-9.5	5.3	-6.5	10.5	6.0	-2.5	-5.1	-0.6	…	…	-1.4
7.New car registrations, % y-o-y	-26.6	22.2	6.7	16.5	9.4	18.5	-7.0	28.9	-0.1	2.3	5.8	-14.5	-5.6	-3.8	…	3.1
8.Tourist arrivals, % y-o-y	-78.2	105.9	96.0	20.8	16.0	26.0	31.2	13.9	21.3	8.8	4.1	6.6	6.6	…	…	9.3
9.Travel receipts, % y-o-y	-76.2	143.2	68.3	16.5	28.3	23.9	62.4	26.7	5.4	5.1	-4.2	-1.8	7.9	…	…	4.1

Sources: ESI, Consumer confidence (European Commission), PMI (Markit Economics), Industrial production, Manufacturing production, Turnover of Enterprises, Building permits, Retail sales, New car registrations (ELSTAT), Frontier Survey of the Bank of Greece (for tourist arrivals and travel receipts).

Soft data, despite some softening in November, remain at relatively high levels compared to the euro area.

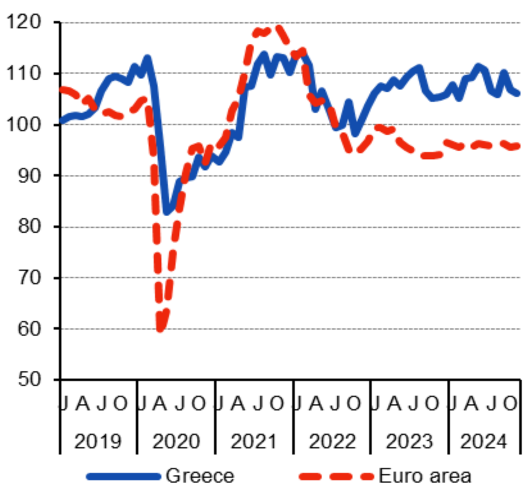
- The **ESI** receded in November due to a deterioration in business expectations in the services and construction sectors; by contrast, business expectations were higher in manufacturing and retail trade, while consumer confidence slightly improved.
- The **PMI** posted 50.9 in November (down from 51.2 in October) due to a deceleration in the growth rate of manufacturing output and a decline in employment. The slowdown came despite a renewed rise in new orders amid stronger export demand. On the prices front, input cost inflation quickened amid higher materials prices. Despite relatively soft demand conditions, firms passed through increased costs via a sharp uptick in selling prices.

Hard data are overall positive:

- **A recovery of the industrial sector** has been underway since November 2020. Industrial production continued rising in September 2024, in year on year terms, mainly due to the increase in manufacturing production.

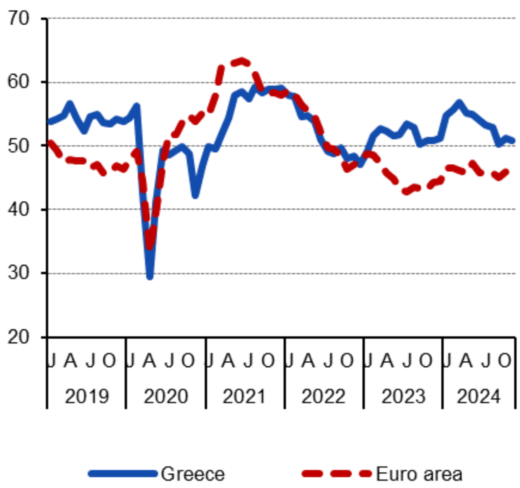
- **Manufacturing production** increased in September 2024, in year on year terms, due to a broad-based rise across most sectors and in particular in the “food and beverages”, “other non-metallic mineral products” and “basic metal products” sectors.
- **The turnover of enterprises** increased in September 2024, in year on year terms, mainly due to the rise in turnover of enterprises in the construction (25.4% y-o-y), transportation and storage (9.9% y-o-y) and the accommodation and food services (9.0% y-o-y) sectors.
- **The volume of building permits** declined for the third consecutive month in August 2024, in year-on-year terms, partly a base effect, but it increased in the January-August 2024 period suggesting rising building activity.
- **The retail sales volume index** fell for the third consecutive month in September, in year-on-year terms, and remained on a declining path in the January-September 2024 period.
- **New private passenger car registrations** declined in October for the third consecutive month, in year on year terms, but remained on a positive trend in the January-October 2024 period.
- **Both tourist arrivals and receipts** increased in the period January-September 2024 by 9.3% and 4.1% y-o-y, respectively. Travel revenues recovered in September 2024 (+7.9%) following decreases in both July and August 2024. The September figures might show a resilient tourism sector in Greece, revealing signs of recovery as the peak summer season transitions into autumn. According to European Travel Commission (ETC, October 2024), Greece is among the top 10 European destinations that travelers plan to visit this autumn and winter (between October 2024 and March 2025). Compared to pre-pandemic levels (the respective 2019 period), tourist arrivals and receipts increased by 13% and 16%, respectively.
- **International arrivals at Greek airports** increased by 9.4% y-o-y in the period January-October 2024, while international arrivals at the Athens International Airport increased by 16% y-o-y in the period January-November 2024.

Chart 3: Economic Sentiment Indicator (average=100)



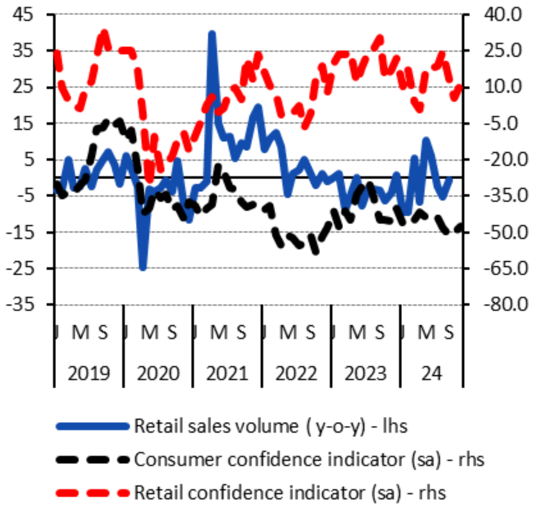
Source: European Commission.

Chart 4: Purchasing Managers Index (PMI; 50 = no change)



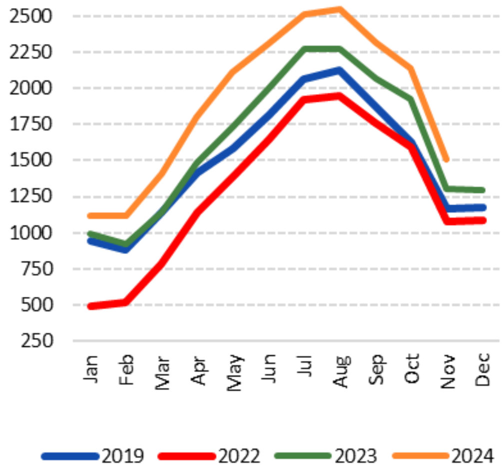
Source: S&P Global.

Chart 5: Retail sales, retail sales confidence and consumer confidence indicators
(annual percentage change and balances)



Sources: ELSTAT (for volume of retail sales) and European Commission (for retail confidence and consumer confidence indicators).

Chart 6: International arrivals at Athens International Airport
(in thousand travelers)



Source: Athens International Airport (AIA).

2. PRICES AND REAL ESTATE MARKET

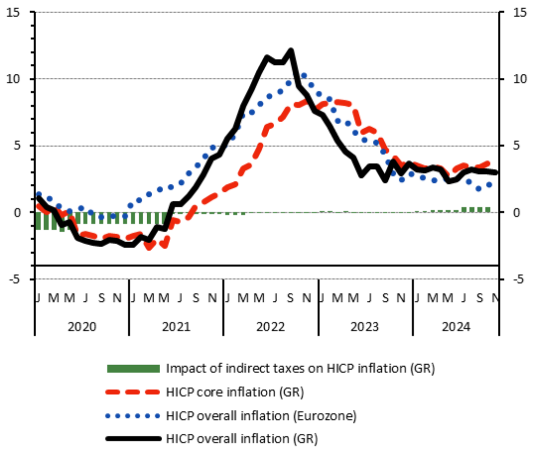
Table 2.1: Prices

% y-o-y, nsa data	2022	2023	2024								
			Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
1. HICP Headline	9.3	4.2	3.4	3.2	2.4	2.5	3.0	3.2	3.1	3.1	3.0*
- Energy	41.0	-13.4	-1.0	-1.4	-1.8	-2.4	1.4	2.3	-0.8	-1.6	...
- Unprocessed food	10.1	11.1	7.2	6.9	2.2	-1.7	-1.2	2.0	4.4	1.5	...
2. HICP Core	5.7	6.2	3.5	3.3	2.7	3.3	3.5	3.4	3.4	3.7	...
- Processed food	9.5	9.3	3.7	3.9	2.5	2.7	2.5	2.1	2.3	0.8	...
- Non-energy industrial goods	5.0	6.4	2.1	1.8	1.5	1.1	0.9	1.4	1.8	1.6	...
- Services	4.5	4.5	4.0	3.7	3.3	4.4	5.0	4.7	4.4	5.6	...
3. PPI - Domestic market	33.5	-6.5	-1.3	-3.2	-3.7	-2.4	-0.5	-0.8	-1.4	-0.2	...
4. Imports Price Index	27.7	-12.3	1.3	2.0	2.8	4.4	-1.6	-4.3	-10.6	...	...

Source: ELSTAT and Bank of Greece computations.
*flash estimate

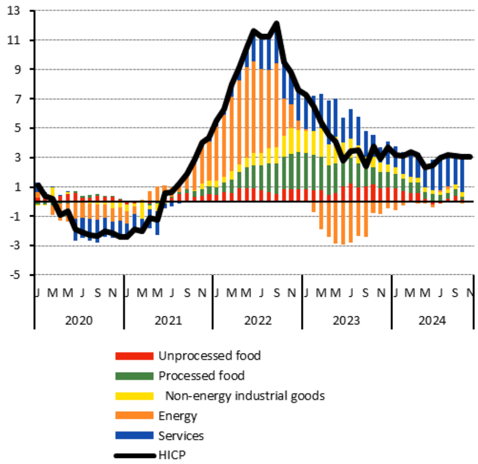
- **HICP headline inflation** steadily declined in the first half of 2023 and oscillated in the second half. In the first ten months of 2024, average inflation declined further to 3.0%. In October 2024, it remained unchanged at 3.1%, as a significant increase in the services inflation was offset by the declines in the other four major components of harmonized inflation. According to a flash estimate by Eurostat, headline inflation ticked down to 3.0% in November 2024.
- **Core inflation** (HICP excluding energy and unprocessed food) remains relatively high and persistent. In October 2024, core inflation accelerated to 3.7% from 3.4% in September due to a significant increase in the services inflation.
- **PPI inflation** for the domestic market has turned negative since March 2023 mainly because of deflationary rates in the energy sub-index.
- **Import prices** inflation had also been negative since February 2023, reflecting the reversal of energy prices. Nevertheless, in March 2024 import price inflation returned to positive territory being thus in line with the import prices energy sub-index which also turned positive after 14 consecutive months of negative readings. In July-September 2024, import prices inflation turned negative again, moving in line with import energy inflation.

Chart 7: HICP Inflation
(percent, y-o-y)



Sources: ELSTAT and Bank of Greece calculations.

Chart 8: HICP inflation and main contributions



Source: ELSTAT and Bank of Greece calculations.

Real Estate Market

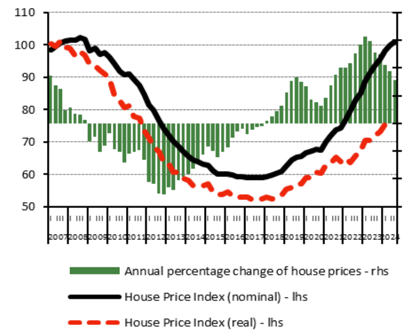
2.2 Real estate market

% y-o-y	2021	2022	2023	2023 H1	2023 H2	2024 H1	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
1. Residential property													
- Apartment prices	7.6	11.9	13.8	15.2	12.6	10.0	15.6	14.8	12.7	12.5	10.6	9.4	7.8
- Residential Investment	31.8	57.8	24.7	57.1	0.7	-10.3	61.6	52.8	29.2	-18.7	-13.7	-6.9	7.2
2.Commercial property													
- Prime office prices	1.7	3.6	5.9	6.8	5.0	-	-	-	-	-	-	-	-
- Prime retail prices	2.5	6.2	6.9	7.2	6.7	-	-	-	-	-	-	-	-
- Office rents	3.9	3.0	6.2	6.5	6.0	-	-	-	-	-	-	-	-
- Retail rents	1.1	4.4	5.7	6.0	5.5	-	-	-	-	-	-	-	-

Source: Bank of Greece, ELSTAT.

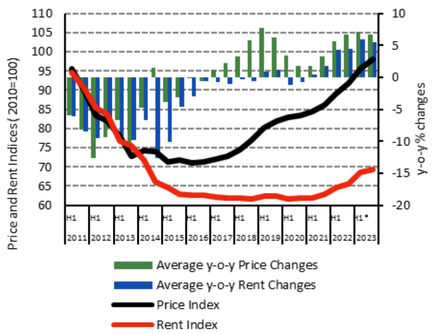
- In 2023, accelerated growth rates were recorded in both **housing and commercial property prices** (prime office and retail), with prime locations and investment property leading the market.
- **Apartment prices** further increased in 2024:Q3 by 7.8% y-o-y, though at a decelerating pace for the last four consecutive quarters, registering a cumulative rise of 71.4% since 2017:Q3 (lowest level), although still 1.3% lower compared to their historical peak in 2008:Q3. On the contrary, residential investment (seasonally adjusted ELSTAT data at constant prices) decreased, on an annual basis, by 4.6% in 2024:9M due to base effect and still remains at a low level as a percentage of GDP (2.3%).
- In 2023:H2, **prime office prices** increased by 5.0% y-o-y, and **prime retail prices** increased by 6.7% y-o-y. A notable increase was also recorded in both office and retail rents.

Chart 9: House price index
(index 2007=100 and y-o-y growth)



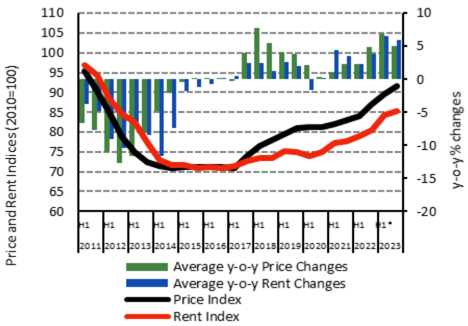
Source: Bank of Greece.

Chart 10: Prime Retail Price and Rent Indices
(indices 2010=100, and y-o-y growth)



Source: Bank of Greece.

Chart 11: Prime Office Price and Rent Indices
(indices 2010=100 and y-o-y growth)



Source: Bank of Greece.

Combination of Financial Support from the EU and Grants

under shared management funds

Why Combine Financial Instruments and Grants?

Integrating financial instruments with grants under shared management can significantly contribute to achieving EU policy objectives and addressing market shortcomings in project design, feasibility, and access to funding. This combination is particularly useful when investments alone do not generate sufficient economic returns or cost savings to be financially viable. Additionally, it can encourage investment demand,support ambitious policy goals, and attract private financing.

The key advantages of combining financial instruments and grants include:

Facilitating Access to New or High-Risk Markets

By combining financial instruments with grants, it becomes possible to close funding gaps for transformative projects that would otherwise struggle to secure financing. This is especially valuable for projects with strong economic, social, or developmental benefits—such as the adoption of innovative technologies—but which lack sufficient financial returns or present high risks for private investors due to novelty or high initial market entry costs.

Creating Flexible Financial Solutions Tailored to Beneficiaries

A mix of grants and financial instruments allows for adaptable financial support, aligning repayment structures with anticipated revenue or savings while maintaining incentives for project viability. This approach is particularly beneficial for projects requiring extended payback periods or facing profitability challenges relative to market funding costs.

Enhancing Project Appeal to Private Investors

Strategic combinations of grants and financial instruments can make projects more attractive to private investors by improving funding structures, reducing risk, and demonstrating long-term market potential.

Such combinations may also encourage the creation of specialized financing mechanisms, including investment funds or Public-Private Partnerships (PPPs), to mobilize private capital in targeted sectors.

Increasing Efficiency and Economies of Scale

Coordinated use of financial instruments and grants can improve efficiency by promoting a one-stop-shop approach. This integration leads to better fund pooling, enhanced coordination among stakeholders, and a more coherent approach to project evaluation and financing.

Strengthening Incentives for Sustainable and Viable Investments

Grants alone may offer limited project oversight and weaker incentives for project developers to ensure long-term viability.

In contrast, combining financial instruments with grants maintains the requirement for revenue generation and repayment, fostering a stronger pipeline of well-structured investment projects.

This approach also supports the development of high-quality, mature projects with accelerated financial deployment timelines.

Urban / Sustainable Infrastructure Funding Example

Rationale for combination

Urban development investments tend to integrate elements with a high social and/or environmental impact but not generating any (or low) financial return. The latter, if not financed, can potentially create barriers for the successful implementation of key projects (e.g. site decontamination or provision of public or green spaces, renovation of heritage/cultural assets).

Urban infrastructure is also generally characterised by material development costs and long-term economic life. In terms of financing, it therefore requires some form of public support to keep ultimate financial costs/user fees at an acceptable level (if any) and/or long-term forms of financing matching project's life. Combinations of grants and repayable forms of finance have been extensively used - notably outside of the EU Funds world - to finance urban and sustainable infrastructure development.

In the next period, this type of combination could be further used with EU Funds' resources in case of market failure. A promising area may be innovative urban investments such as 'smart city' type projects, where EU Funds can play a key role in mitigating technology and innovative business models' related risks, scaling-up pilot projects and attracting private investors. More traditional infrastructure projects may also benefit from these combinations, notably to decrease ultimate costs paid by users.

Grant type - examples	Financial product type - examples
• **Technical support grant** to finance the project design and preparation. This support may be key in projects employing innovative technologies and/or new business models (e.g. 'smart city'). • **Interest rate / guarantee fee subsidy:** may be used to make long-term financing available / affordable. • **Capital grant** to cover development costs**,** fund viability gaps and reduce ultimate financial costs and ultimate customer prices (e.g. public transport ticket price or waste collection fee). In remote areas, smaller projects may face limited demand and high costs to connect to the network, which can be mitigated by grants. • **Capital rebates** to incentivise developers to complete projects in a timely fashion or to certain performance level. • **Recoverable grants** that turn to senior or subordinated loans if the project achieves specific milestones indicating revenue-generating capacity. Grants may incentivise project promoters to take on marginal/riskier projects. • **Convertible grant:** to cover pre-investment costs and provides incentives for project viability. The grant may not be repaid in case of difficulty, thus preserving other shareholders. On the other hand, the grant may be converted into equity if the project succeeds, thus protecting the public authority's financial interests.	• **Long-term loans** with a grace period, lower interest rates and collateral request to reduce the weight of debt servicing costs, notably on the first years' cash flows. It may help spread out investment costs over the asset economic life, which may above 15/20 years in this sector. Given politically set fee levels, projects need time to break-even. In sectors which do not generate direct streams of revenues but have significant quantifiable externalities (e.g. air quality or flood risk prevention), a long-term debt financing can also be provided, for instance to municipalities. • **Guarantees** to incentivise private lending with lower interest rates and collateral requirements and (much) longer tenors (20 years+). Lenders may require guarantees in particular when borrowers have a limited liability company legal form and are subject to liquidation proceedings. • **Financing lease instrument** for public transport rolling stock material for instance. • **Subordinated loans** to mitigate senior lenders' risks by reducing the share of senior debt in total financing. Subordinated debt may be for instance an efficient way to reinforce the capital of an SPV implementing a 'smart city'-type investment without diluting its equity structure. • **Equity**: for urban investment projects carried out using SPVs or specifically created companies (e.g. revitalization projects with high initial costs). This helps attract private investors reassured by the project's loss absorption capacity.

CURRENTLY ACTIVE - 2025

"Support for Tourism Investments" Aid Scheme

The "Support for Tourism Investments" aid scheme of Development Law 4887/2022 aims to financially aid the establishment, expansion and/or modernization of an integrated form of tourist accommodation throughout Greece in order to upgrade the quality of the country's tourism product.

The Total Budget amounts to €150,000,000, of which €75,000,000 concerns the type of tax exemption aid.

Subsidized Budget

The Subsidized Budget of the investment project requires the existence of a minimum amount of eligible cost of an investment project, which is determined on the basis of the size of the entity:

- one million (€1,000,000) for large enterprises
- five hundred thousand (€ 500,000) for medium-sized enterprises
- two hundred and fifty thousand (€250,000) euros for small enterprises, an amount of one hundred thousand (€100,000) for very small enterprises,
- fifty thousand (€50,000) euros for Cooperative Enterprises
- Social Cooperative Enterprises, Agricultural Cooperatives, Civil Cooperatives, Organizations of Producers, Agricultural Partnerships: €50,000

For the maximum amounts, terms and conditions apply.

Beneficiaries of the Scheme

Aid beneficiaries are Enterprises that take the following forms:

- ✓ Commercial company (Legal entities) - excluding sole proprietorships
- ✓ Cooperative
- ✓ Social cooperative enterprises (SCEs), Agricultural cooperatives (APs), Groups of Producers (GoPs), Organizations of Producers (OoPs), Urban cooperatives, Agricultural Partnerships (APs)
- ✓ Companies under establishment or under merger on condition that they will have completed the disclosure procedures before the commencement of works of the investment project
- ✓ Joint ventures engaged in commercial activity
- ✓ Investment projects located in the Regional Unit of Mykonos and from the Regional Unit of Thira, in the Municipality of Thira, except for the Municipal District of Thirassia, cannot be financed under this scheme.

Eligible Expenses

Eligible expenses under this scheme include:

- Establishment of a new unit
- Expansion of the capacity of an existing unit
- Diversification of a unit's output in products or services that have never been produced there
- Fundamental change in the entire production process of an existing unit
- Commencement of works on the investment project before the submission of the application results in rejection of inclusion (with the exception of the purchase of land and preparatory works e.g. obtaining permits)

More specifically, all Investment Projects that involve the following can be included in the Scheme:

- Establishment or expansion of hotel units of at least four (4) stars
- Modernization of an integrated form of hotel units that fall under or are upgraded to a category of at least three (3) stars, after five years have elapsed since the start of operation of the unit or from the date of completion of the previous investment for the modernization of an integrated form of the unit, as well as the modernization of alternative tourist accommodation, if they are upgraded to a category of at least three (3) stars
- Expansion and/or modernization of an integrated form of hotel units that have ceased their operation, provided that during the interruption period there has been no change of use of the building and that, through the expansion or modernization of an integrated form, they are upgraded to a category of at least four (4) stars

- Establishment, expansion and/or modernization of an integrated form of Tourist Organized Camping sites which belong or are upgraded to a category of at least three (3) stars • Establishment and/or modernization of integrated hotel units within designated traditional or listed buildings, which belong or are upgraded to a category of at least three (3) stars
- Establishment, expansion and/or modernization of complex tourist accommodation, as defined in Law 4276/2014 (A 155), which are submitted as single investment projects, not including buildings and facilities to be transferred or under long-term lease.
- Establishment or modernization of alternative tourist accommodation, provided that the following conditions cumulatively apply:

  - ✓ They bear the distinctive title "guest house"
  - ✓ They are situated within traditional settlements in one of the following areas:mountainous areas, according to the classification of the Hellenic Statistical Authority, except the municipal units that are part of the Athenian urban fabric
  - ✓ areas up to thirty (30) km from the Greek border
  - ✓ islands with a population of less than three thousand one hundred (3,100) inhabitants
  - ✓ They are classified in a category of five (5) keys as per Decision No 12868/2018 of the Minister of Tourism
  - ✓ They maintain a minimum number of twenty (20) rented rooms, as listed in the relevant licensing documents
  - ✓ Establishment, expansion and/or modernization of condo hotels as defined in Law 4276/2014 and provided that the transfer or long-term lease of aided parts thereof takes place after the termination of compliance with the long-term obligations of the investment entity.

Aid Types and Rates

The Aid rate for eligible expenses is up to 70% of the budget of the Investment Project. The Aid may be in the form of:

- Tax exemption
- Grant
- Leasing Subsidy
- Employment subsidy covering the cost of new job creation

of which the first 3 forms of aid can be provided individually and/or in combination, while the incentive to subsidise the wage costs of new jobs cannot be combined with other incentives.

Application Procedure & Assessment

The maximum duration of implementation of investment projects is set at 3 years with the possibility of extension for another two years.The application and approval process will be conducted electronically.

Funding applications are submitted through the Development Law Information System.

Applications are assessed using the comparative evaluation method.

For more information about how you can leverage the "Development Law – Greece Strong Growth" initiatives, don’t hesitate to contact our expert consultancy team at info@arencos.com.

Please note that additional funding programs and investment incentives may be available at any given time. To ensure you stay informed about the latest opportunities tailored to your business needs, we recommend reaching out to our team for personalized guidance and up-to-date insights. Let’s unlock your growth potential together