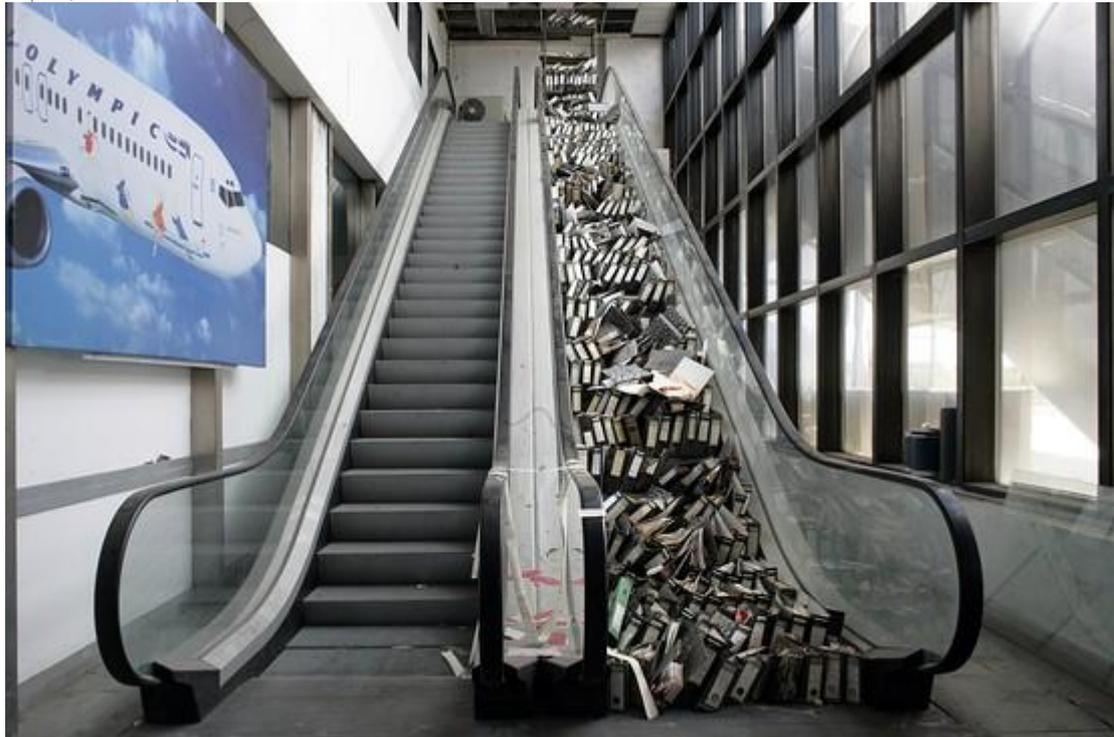


Athens Airport's Makeover Attempts to Take Off

Development Planned for Long-Abandoned Facility

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The abandoned Hellinikon airport in Athens, which closed in 2001 and has remained empty ever since. Plans to redevelop the site include hotels, high-rise residential tower, shops and marina. *Getty Images*

As Greece attempts to climb out of its six-year recession, the real-estate market is looking to the poster boy of the country's privatization process: Athens's long-disused airport, Hellinikon.

The proposed €8 billion (\$10.55 billion) redevelopment of the site—just 5 miles south of the capital, at more than 1,500 acres, nearly twice the size of New York's Central Park, and featuring 2 miles of Mediterranean coastline—is as close as it has been since the site was abandoned in 2001, having been replaced by a new airport.

A thousand hotel rooms, high-rise residential tower, offices, shopping center, marina, aquarium and giant park are all part of the plan. The first on-site work in the 15-to-20-year project could start as early as 2016, according to Odysseas Athanassiou, chief executive of [Lamda Development](#) SA, [LAMDA.AT -0.65%](#) the Greek developer heading an investor group that acquired the site for €915 million this year from the government.

So far, that money hasn't been transferred, the site remains in dusty disrepair, and Lamda—the only developer to submit a bid for the project this year, after its three competitors withdrew—potentially has years of bureaucratic hurdles ahead before the first shovel of dirt can be moved.

"The risks are enormous," said Ana Vukovic, managing director of Greece and Serbia for U.S.-based property firm Colliers International. "But there is a lot of opportunity."

If successful, in addition to creating a new seaside destination in the capital city, the development could contribute 1.5% to 2% to the country's gross domestic product each year through 2025 and create 50,000 new jobs during that period, according to Lamda.

Hellinikon was one of the most highly prized assets the Hellenic Republic Asset Development Fund sold to the private sector. The Greek government is relying on privatizations to help pay back €240 billion in rescue packages from the European Commission, European Central Bank and International Monetary Fund, which it needed to avoid a default on its debts.

Overall, Greece hopes to raise €50 billion by selling assets. About four-fifths of that will come from real estate. To date, it has raised less than 10% of the overall goal.



Hellinikon airport has remained empty since its closing in 2001. An investor group plans a \$10.55 billion project on the site. *Getty Images*

The investors behind the project—including the Latsis family group that controls Lamda, Chinese investment firm [Fosun International](#) Ltd. [0656.HK +1.94%](#) and Abu Dhabi-based investors Al Maabar—have committed €700 million and aim to raise more funds as the project develops, according to Mr. Athanassiou.

Other investors from Europe or the U.S. also could come on board, but no other groups have confirmed any commitments, he said.

The Hellinikon development still must be approved by various courts and Greece's Parliament. The next step will be approval from Greece's highest administrative court, from which "we are expecting a green light in September," said Andreas Taprantzis, executive director of Greece's privatization fund.

Until the deal officially closes, no cash will be transferred to the privatization fund. The first €300 million payment, out of the €915 million, will be paid after the last bureaucratic step, when, or if, Parliament approves the deal. The rest will likely be paid in yearly installments for four or five years, Mr. Taprantzis said.

In addition, the consortium has committed to €1.25 billion for infrastructure investment, including the park, roads and clearing the existing airport. Funds from investors will be bolstered with debt financing, Mr. Athanassiou said.

"This is a key project that the Greek banks, and maybe some international banks working in Greece, taking into consideration today's conditions, would definitely support," said Konstantinos Vassiliou, head of group corporate and investment banking at Greek lender [Eurobank Ergasias SA](#) [EUROB.AT -0.62%](#). "And considering other [real-estate] projects in Greece at the moment, this is one that in my view will attract significant appetite."

Greek government authorities are the biggest risk to the development in the form of delays, said Mr. Athanassiou. "If things were working the way they did before the crisis, I would have said we could start work in 2015" instead of 2016, he said.

Government-related risks were a big reason Israel's [Elbit Imaging Ltd.](#) [EMITF -3.54%](#), one of the final four bidders, pulled out of the process, said Oren Kolton, Elbit's country director for India and Greece.

Mr. Kolton said one of his concerns was whether they would find ancient Greek ruins or heavily contaminated soil when they started digging. "Usually, the government would give you some kind of indemnity; if you find something, we'll be in charge to dig or excavate or cover the costs," he said. "The Greeks didn't understand this. They said, if you find something, what can we do? It's your fault."

"I told [Prime Minister Antonis] Samaras I could not take risks that were not business risks," like a change in government or finding ruins, he said.

Elbit withdrew just days before the bidding process finished.

There is also the issue of a yet-ungranted casino license, a potential deal breaker. Hellinikon's investor group has the right to abandon the project if a government tender for a casino license doesn't come to fruition.

A casino is something Lamda "and all of our investors believe will benefit us a lot," said Mr. Athanassiou. "It would be a five-star facility and would help attract high-net-worth individuals." Lamda has no desire to win the tender for the proposed license, he said.

The launch of the tender "should be in the next few months," said Notis Mitarakis, Greece's deputy minister of development. "We would not have gone through the undertaking if we didn't want to create one."

At the moment, "it looks like it has a happy ending," said Ms. Vukovic at Colliers. "But the project is of a size that even a disruption in the global economy could impact the final outcome."