Greece revises Hellenikon property deal, unlocking bailout funds

Angeliki Koutantou - JUNE 7, 2016 / 2:45 PM

ATHENS (Reuters) - Greece on Tuesday revised terms for the sale and long-term lease of the old Athens airport of Hellenikon, meeting the demands of international lenders who are now expected to unlock long-withheld bailout funds.

Passengers walk towards a terminal after disembarking from the "Ovation of the Seas" cruise ship at the port of Piraeus, near Athens, Greece, May 15, 2016. REUTERS/Alkis Konstantinidis/File Photo

Privatizations have been a central condition of Greece’s succession of international bailouts since 2010, but political resistance and bureaucratic snags have meant few have gone ahead to date.

Greece clinched a 915-million-euro ($1 billion) deal for the site of the disused airport, which sits on prime beachfront real estate, in 2014. Under its terms, a consortium led by Lamda Development (LMDr.AT), a Greek developer, would own part of the Hellenikon property and get a 99-year lease to develop all of it.
But divisions among local communities and technical hurdles delayed the sale. A mass influx of migrants since the beginning of last year has also impeded efforts to conclude the accord.

Greece's privatization agency HRADF and Lamda signed on Tuesday a memorandum of understanding which revises terms of the deal, they said in separate statements.

"By signing this new agreement for Hellenikon, the implementation of an investment which will leave its mark on the development of this country has taken its course," privatization agency chief Stergios Pitsiorlas said in its statement.

"A substantive improvement to the prior contract resolves problems which formed the basis of objections in the past."

FRONT-LOADED INVESTMENT

The initial deal called for the consortium to pay the 915-million-euro sum in installments by 2022 and spend about 6 billion euros to turn the 620-hectare seafront complex into a seaside town of hotels, residences and shops.

HRADF said that almost half of the sum will be now paid by 2018 and total investment will be about 8 billion euros, with most of it expected to be concluded in 12 years, rather than 15 years under the initial deal.

Lamda said the project would create 70,000 jobs and boost Greek economic output by 2 percent, bringing in revenues of 10 billion euros for the Greek state in 25 years.

“It’s a serious step in terms of investment, employment, tapping (into) new opportunities and attracting foreign funds in our country,” Lamda Development Chief Executive officer Odysseas Athanassiou said in a statement.

The Lamda-led consortium includes the Chinese diversified group Fosun, the Abu Dhabi-based real estate firm Al Maabar and other investors.
Greece is expected later this month to fulfill another prerequisite for getting a sub-tranche of 7.5 billion euros in bailout loans - the transfer of a 5 percent stake in its telecoms operator OTE to the state privatization agency.
“There should be some actions on behalf of Deutsche Telekom, which are still pending,” government spokeswoman Olga Gerovasili said. Deutsche Telekom owns a 40 percent stake in OTE and has a right of first refusal of any sale of a stake in the operator.

Greece aims to raise about 6 billion euros from sell-offs of state assets by 2018 and its privatization agency has said it could fetch more than 2 billion euros from sales in 2016.

Under Greece’s 2016 budget, the Hellenikon deal is expected to bring in 345 million euros this year.