FINANCIAL TIMES

January 30, 2012 7:43 pm

Greek asset sales behind target

By Robin Wigglesworth in London and Kerin Hope in Athens

Greece will struggle to meet its target for assets sales even by the already delayed deadline of 2017, the country's privatisation adviser has said, highlighting the country's struggle to return to solvency amid a wilting domestic and European economy.

As part of its first bail-out package, Greece promised to sell €50bn of real estate and other assets by 2015, subsequently renegotiated to 2017.

Even that deadline now looks "difficult", according to Max Ziff, head of sovereign advisory at Houlihan Lokey, the restructuring-focused bank that is advising the Hellenic Republic Asset Development Fund.

"Around half of the assets are real estate, and you cannot just dump that on the market without destroying value," Mr Ziff told the Financial Times.

Several large private equity funds have visited Athens to examine the assets on offer. Three funds have already swooped to pick up Wind Hellas, the telecoms company, from creditors, but the only significant disposal by HRADF has been the sale of a 10 per cent stake in Hellenic Telecom to Deutsche Telekom for €390m. Overall, only €1.5bn was raised last year.

Greece planned to move ahead with the sale of its stake in refiner Hellenic Petroleum, natural gas grid operator Desfa and gas company Depa in the first half of the year, the HRADF said this month.

However, sales of stakes in Thessaloniki's port and water utility, Piraeus port and Hellenic Postbank have been delayed, and even the disposal of some 35 large buildings occupied by government or government-related agencies has yet to materialise.

Athens already appears set for a first quarter without any privatisation revenues whatsoever, and is likely to miss the first-half target of €5bn this year. Discussions were taking place with a visiting European Union and International Monetary Fund mission on readjusting the timetable and increasing the stakes in state-controlled companies that would be offered for sale, a finance ministry official said.

For the foreseeable future, investors are unlikely to take any significant plunges given the danger that Greece could default and exit the eurozone – meaning that investments would suddenly be redenominated in a weaker new currency.

Mr Ziff hopes that interest may pick up once the negotiations over "haircuts" on Greece's debt pile are settled with private and public creditors, but concedes that, "until the fear of 're-drachmasation' is completely off the table, then the full potential interest from outside investors is unlikely to happen".

Most of the real estate assets consist of undeveloped land, and they will require costly investments in infrastructure and possible financial incentives for investors to buy and develop, a tricky proposition at a time of strict fiscal austerity.

One asset that has attracted some tentative interest is the Hellenikon airport, which was due to be developed into a commercial zone before the financial crisis struck. It has lain abandoned since being used as a sports facility during the 2004 Athens Olympic Games.

The airport site, a coastal strip south of Athens which is three times bigger than Monaco, could be leased for high-end urban development and tourism for about €5bn, according to HRADF.

Any investment in Hellenikon would be welcome for Greece, "not just because of the money raised in the sale of the asset but also through invigorating the local economy", Mr Ziff said.