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National Bank to sell historical Astir Palace resort

By Sharon Smyth

National Bank of Greece SA is preparing to sell an Athenian Riviera resort, visited by world leaders and movie stars for more than half a century, in a test of the country's ability to sell assets amid concern that it will leave the euro.

The 3.3 million-square-foot (307,000 square-meter) Astir Palace complex has already drawn investors' interest, according to Aristotelis Karytinios, general manager of real estate at the lender. The Athens-based bank and Greece's privatization fund, which owns part of the property, will put out a public tender in coming months, he said.

'Astir is a trophy asset and we want to get the best from it,' Karytinios said in an interview in Athens.

Proceeds would help the publicly traded bank meet stricter capital rules and raise cash for Greece, which is behind on money-raising targets tied to 240 billion euros (\$305 billion) of rescue packages in the past two years. The plan is to sell the complex of hotels and bungalows surrounded by private beaches in one package in conjunction with Greece's Hellenic Republic Asset Development Fund to help maximize the price, according to Karytinios.

The Greek state is seeking to raise 50 billion euros from state assets, half of which are real estate, by 2020 to meet conditions of its bailout. It has brought in 1.8 billion euros.

The fund's policy of leasing properties instead of selling them outright has deterred potential investors, according to Yannis Perrotis, managing director of CBRE Atria, the Greek member of CBRE Group Inc. (CBG)'s affiliate network.

The government's asset-sale program is key to securing funds from the European Union and International Monetary Fund. The Hellenic Republic Asset Development Fund's plans, which also

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“Assets that are the best in their class and unique, as Astir clearly is, are selling and holding value,” said Mike Braunholtz, a broker at UK-based Prestige Property Group, which markets luxury properties globally. “On the downside, the whole world has its eyes on the Greece and it would be considered a very risky environment to invest in until there is more clarity whether you’d be buying in euros, dollars or drachma.”

Following the June 17 elections, Greece’s New Democracy and Pasok parties, traditionally political rivals, and the Democratic Left struck a deal to form a coalition government that will seek relief from austerity measures tied to emergency loans. Greece, in its fifth year of recession, would face having to abandon the 17-nation euro and reintroduce the drachma should the flow of rescue funds cease.

Holger Schmieding, chief economist at Berenberg Bank in London, said the probability Greece remains in the euro by the end of 2012 is 75 percent.

Foreign funds with holdings in stronger currencies such as the dollar or the Swiss franc have positioned themselves for Greece’s return to the drachma, according to Ioannis Kaligiannakis, a senior appraiser at real estate consulting firm Colliers International in Athens. “They are already here,” Kaligiannakis said before the election results.

Astir Palace Hotel SA (ASTIR), the public company that owns the resort, has a market value of 166 million euros. By including the underlying land, partly owned by the Greek state, the sale may fetch multiples of that, according to Andreas Taprantzis, head of real estate for the state fund.

National Bank of Greece (TELL), the country’s biggest lender, reported a first-quarter loss of 537 million euros and a core tier one capital ratio of 6.4, below a 10 percent target required by September. It holds 85 percent of Astir Palace Hotel.

The bank also owns a 188,000 square-meter plot where two hotels and 58 bungalows are located. It leases another 112,000 square-meter parcel, site of the shuttered Aphrodite hotel, owned by the Greek state.

Selling the Astir Palace land may be a departure from Greece’s policy of not selling state-owned property outright, and so-called freehold sales could generate interest in Greek assets that had been passed over because they were only offered for lease, according to Perrotis of CBRE Atria.

“It seems that so far offering long-term leases hasn’t been effective and that the market has given its message to the Greek Republic’s fund,” Perrotis said in a June 6 interview in Athens. “Now the state is seeing that the interest expressed is for outright sales and the fund may have to adjust.”

Taprantzis said the sale of Astir Palace is an exception because the bank is in a position to force the fund to sell.

“We are in a prisoner’s dilemma,” Taprantzis said in a June 6 interview. “Only cooperation will

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